Nation's Business®

The Small Business Adviser

Tips To Help With Hiring And Firing

What's Coming In Telecommunications

Leasing Solutions For Company Fleets

Restoring The American Dream

House Republicans say they have the answer: less government, lower taxes, and a balanced budget. It's an ambitious agenda that now commands center stage in Washington.

MAY 1995 - $2.50
Published by U.S. Chamber of Commerce
05 >
0 71486 02685 3

Mark Hilz, President
PC ServiceSource

"Thanks to Sprint Business, we're exporting mice to 40 countries."

PC ServiceSource provides a vital service to computer repair companies: they ship new parts anywhere in the world–overnight.

"When you're a small company in Carrollton, Texas, you can't wait for the world to come to you. You've got to get to them."

With their former carrier, PC ServiceSource only had toll-free lines to nine countries.

"If our 800 service couldn't expand internationally, neither could our business."

Sprint Business stepped in with a real solution. More lines. More countries. Now they're open in 40 countries, 24 hours a day. And that's helped sales at PC ServiceSource grow dramatically in the last year. International sales have more than doubled.

"Sprint really helped us go global."

Call now. And we'll help your business do more business.

Sprint.
Business

Nation'sBusiness®

Published by U.S. Chamber of Commerce Washington, D.C.

PHOTO: T. MICHAEL KEZA

The Republican majority's *long-range plan for downsizing government is embraced by many governors, including those flanking House Speaker Newt Gingrich and Senate Majority Leader Bob Dole at a press conference. Cover Story, Page 18.*

PHOTO: SHAWN SCOTT

Pampering *its clients is helping Pet Pals expand and prosper within its service niche. Marketing, Page 56.*

VOL. 83, NO. 5

PHOTO: ROBERT HOLMGREN

Fun is foremost *when John Cassidy's Klutz Press turns out books for children. Making It, Page 14.*

DEPARTMENTS

Cover Design: Hans A. Baum
Cover Photo Image: © PhotoDisc, Inc.

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062-2000. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Copyright © 1995 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46. For Canadian and other foreign subscriptions, add $20 per year. Second class postage paid at Washington, D.C., and additional mailing offices. Canadian GST Registration #: R131294169. **POSTMASTER:** Send address changes to **Nation's Business**, 4940 Nicholson Court, Kensington, Md. 20895. **To inquire about your subscription, or to make a change of address, please call 1-800-638-6582, or in Maryland, 1-800-352-1450. Photocopy Permission:** Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Drive, Danvers, Mass. 01923, to photocopy any article herein for a flat fee of $1.50 per copy of each article. Send payment to the CCC. Copying without express permission of **Nation's Business** is prohibited. Address requests for reprints to **Nation's Business** Reprints, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-692-4000.

Printed in the U.S.A.

Editor's Note

What Is The American Dream?

PHOTO: T. MICHAEL KEZA

The American Dream no doubt differs a little for each of us. But most of us would agree that it embodies certain concepts that we all value—personal freedom, economic growth, and a belief, based on history, that today's society should be more prosperous than yesterday's, and tomorrow's better than today's. We also know that keeping that dream alive involves constant struggle.

Today, such a struggle—indeed, a revolution—is under way in our nation's capital, and that movement and why it's important to small businesses is the topic of our cover story this month. The article, beginning on Page 18, was written by Deputy Editor Roger Thompson (at right in the photo), with reporting also from (left to right) Senior Editor John S. DeMott, Senior Writer Laura M. Litvan, and Deputy Editor Albert G. Holzinger. We think you'll find the story encouraging.

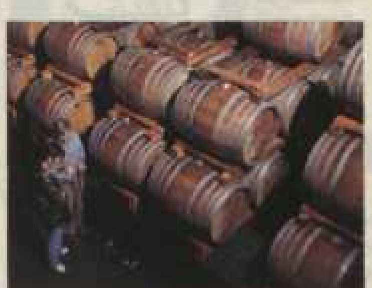


PHOTO: GLINDA SUE SCOTT

We also take a look at a revolution of another sort—how changes in telecommunications are shaping today's business practices, like those of Frog's Leap Winery (pictured), in California. This article, part of our Enterprise 2000 series, on Page 45, examines how these developments will affect the way companies operate in the future.

Written by our resident technology expert, Deputy Editor Albert G. Holzinger, the article suggests three ways these changes might help smaller companies better compete with their larger counterparts. It also offers steps you can take now to prepare for coming telecommunications opportunities.

We'd also like to thank readers who have responded to last month's request in Dateline: Washington for examples of federal laws and regulations they'd like to see Congress reconsider on the yet-to-be-scheduled Corrections Day. There's still time to respond. We always appreciate your input, and we believe Congress will, too.

Mary Y. McElveen

Mary Y. McElveen
Editor

Nation'sBusiness

Letters

The United States Chamber of Commerce, publisher of Nation's Business, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
Dennis W. Sheehan
PRESIDENT
Dr. Richard L. Lesher
SENIOR VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant
VICE PRESIDENT/PUBLISHING
David A. Roe

EDITOR
Mary Y. McElveen
DEPUTY EDITORS
Albert G. Holzinger, Terence F. Shea, Roger Thompson
SPECIAL CORRESPONDENT
Sharon Nelton
SENIOR EDITORS
Joan C. Szabo, Michael Barrier,
John S. DeMott, David Warner
ASSOCIATE EDITORS
Meg Whittemore, Roberta Maynard,
Dennis Fitzgerald, James Worsham
SENIOR WRITER
Laura M. Litvan
CONTRIBUTING EDITORS
Robert T. Gray, Henry Altman, Ripley Hotch, Julie Candler,
John L. Ward, Craig E. Aronoff, Jon Pepper, Peter Weaver,
Albert B. Ellentuck, Janet L. Willen, Randy Myers,
Mary Rowland, Susan Biddle Jaffe
EDITORIAL ADMINISTRATIVE ASSISTANT
Irma N. Tolliver

ART DIRECTOR
Hans A. Baum
ASSISTANT ART DIRECTOR
Alberto Pacheco
SENIOR DESIGNERS
Kathy Reuter, Kathleen Vetter, Georgia Leigh McDonald
SENIOR ARTIST
Michael Rook
PHOTO DEPARTMENT
Laurence L. Levin, photo editor
Frances Borchardt, assistant photo editor
T. Michael Keza, chief photographer
ART PRODUCTION ASSISTANT
Theodora D. Taylor

PRODUCTION DIRECTOR
Heidi Sakai Gioeffi
PRODUCTION COORDINATORS
Stephanie Jankowski, Ginger Tracy Hill
PRODUCTION ADMINISTRATOR
Seretha Armstrong

U.S. ADVERTISING
Pete McCutchen, marketing director
(212) 370-1440
Kathleen Brown, administrator
ADVERTISING MANAGERS
Atlanta (404) 393-0140
Bob McWalters
Chicago (312) 346-3526
Richard Knepler
Dallas (214) 387-0404
Richard Chalkley
Southfield, Mich. (810) 354-1180
Richard Topous, Michael McNew
Los Angeles (213) 651-1466
Tom Bowman
New York (212) 370-1440
Jerry V. Camporine, Neil Hanlon,
Bart McDonnell
San Francisco (415) 421-7436
Richard A. Sands

CLASSIFIED ADVERTISING
(202) 463-5640
Marla Scher, director
Debora A. Tydings, account executive

INTERNATIONAL MARKETING
Vico Fabrizio Associates
(201) 664-7925
Fax: (201) 358-8454

CIRCULATION
Elizabeth A. Allen, director
Lucy Oliver, manager
Liana Glasco, marketing services manager
Yasmin Washington, circulation coordinator

PROMOTION AND RESEARCH
Janine Grossman, director
Nancy Swanson, research manager
Diane Lewis, promotion coordinator

Consolidate Health Programs And Cut Insurance Costs

Re your March cover story, "The Power Of Pooling": There's Medicare if you're old, Medicaid if you're poor, workers' compensation if you're hurt at work, and private health insurance if you're none of the above yet still fortunate enough to have coverage. Each type of insurance has its own separate costs for funding, administration, and regulation, all contributing to the overall cost of health care.

It seems to me that insurance costs could be reduced greatly by consolidating these many programs into one. Lifetime health care could then be delivered through a managed-care system, which everyone seems to agree is the most cost-efficient.

Clearly, this consolidation would not be easy to accomplish. Some of the existing programs are federally regulated, and others are state-regulated. Also, each program has its own staunch supporters who would aggressively defend their turf. Still, if it could be done, the benefits to businesses and individuals would seem to make it worth the effort.

Andrea L. Vittum, President
White Haven Memorial Park
Pittsford, N.Y.

A Job Well Done

You did a thorough job in researching the complex problem of health insurance (particularly for small groups). I have not seen other publications take the time to clarify the pluses and minuses in such detail. I hope your subscribers also noted your conclusion. Yes, it is too early to tell how the voluntary health-insurance alliances will work, but it is certainly wise to have the reform driven by the market.

Victor J. Norris, Marketing Director
Corporate Coverage
Timonium, Md.

Product Liability: "Conventional Folklore"

A letter in February ["How Liability Lawsuits Devastate Small Firms"] from Fred P. Clark, president of a helicopter manufacturer, contains the conventional folklore regarding product liability.

I have practiced law for 10 years, representing both plaintiffs and defendants. My experience has been that the size of the sum paid is a good indication of the true merit of the case. Insurance companies and product-liability defendants only settle cases where they fear that a jury verdict may be substantial.

Also, Mr. Clark incorrectly asserts that contingent fees are illegal in a claim or suit against the U.S. government. Instead, the percentage of a contingent fee in such a case might be limited, depending on the type of claim.

It is not a litigation crisis; it is a responsibility crisis. Blaming the victims for problems that dangerous products create is the worst sort of sophistry.

James R. Jones, Attorney At Law
Houston

A Modest Proposal

I read Bruce H. Yuille's letter ["Let Losing Attorney Pay Tort Legal Fees," March] with interest. I can understand why he is a *former* practicing attorney. In view of the proliferation of CEOs in this country, my suggestion is that a CEO should be personally liable for any loss that stockholders might suffer. I believe that this would create a corporate elite and eliminate unnecessary bankruptcies and marginal companies.

Richard J. Levinson
Practicing Attorney
Levinson Axelrod Wheaton & Grayzel
President, New Jersey Chapter (North)
American Board of Trial Advocates
Edison, N.J.

Government Regulators' "Gotcha" Approach

Re your March Where I Stand survey on congressional moves to roll back regulations: Our company and our employees have suffered greatly as a result of the "gotcha" attitude of government regulators. President Clinton has suggested

that 100 percent of fines be waived after speedy compliance. Let's see if he acts to back up his statements.
George Mathys, President
George's Rolloff Service, Inc.
Quogue, N.Y.

[Editor's Note: For results of the Where I Stand survey on regulatory reform, *see Page 77.]*

"Green" Products And Consumer Value

Your February article on "Going 'Green' In The '90s" was interesting and to the point. The observation made by business executive Jeffrey Hollender that people don't buy a product simply because it

is good for the environment is, in our view, correct. Retreaded tires are among the most environmentally friendly products a person can buy. Indeed, we were a "green" industry before the word became fashionable. Yet we recently changed our theme from "Retreading Is Recycling" to "Retreads. Your Best Tire Value."

Our industry has recognized that the "green" that people really seem to care about is the color of their money.
Harvey Brodsky, Managing Director
Tire Retread Information Bureau
Pacific Grove, Calif.

SBA Limits Amount Of Guaranteed Loans

A week before Christmas, the U.S. Small Business Administration announced it would stop considering loans over $500,000 for its 7(a) guaranteed-loan program. Previously, the SBA guaranteed up to $750,000—generally between 70 percent and 90 percent of the loan. There was no limit on the amount of the loan. The change went into effect Jan. 1.

The SBA's move surprised participating lenders and borrowers, as well as SBA district office staffs. Days, weeks, and, in some cases, months of work were lost when applications already in the system could not be completed in time to get loans processed. Perhaps more disconcerting was the loss of an affordable capital resource to small business.

Essentially, the SBA became a victim of its own success; its 7(a) lending program is so successful that it has run out of guarantee authority every year for the past three years. But every year, Congress has appropriated the needed funding to continue the program. In this surprise restriction, the agency is trying to avert depleting its guarantee amounts and avoid a return to Congress for a special appropriations bill.

I urge voters to write to their congressional representatives and governors and ask that they support small business and uphold one of the true, self-supporting programs in the federal government.
Larry Sherman
ITT Small Business Finance Corp.
Woodbridge, N.J.

[Editor's Note: SBA officials say that without the changes Mr. Sherman mentions, the program would have exhausted its 1995 funding. Seeking an additional congressional appropriation, they say, wasn't a realistic option given the political push for austerity on Capitol Hill. The SBA is considering a proposal to raise the guarantee limit to $1 million and make the loan program self-financing. The latter change would be subject to congressional approval.]

OSHA's Micromanagement Of The Private Sector

The cheery tone of "A Low-Stress OSHA Review" [January] paints a rosier picture of the U.S. Occupational Safety and Health Administration than is probably warranted.

OSHA is currently jumping headlong into the ergonomics (repetitive-motion) arena, where it could literally regulate every move American workers make. OSHA is also dipping its toe into the politically loaded areas of passive tobacco smoke, in which it is using problematic studies generated by the Environmental Protection Agency. And Sen. Max Baucus, D-Mont., recently had to intervene with Labor Secretary Robert Reich to roll back proposed OSHA rules on logging. (OSHA tried to require loggers to wear special foot and eye gear that would have created even more hazards.)

OSHA is symptomatic of the larger problem of the federal government's attempt to micromanage private workplaces and private lives. At what point did private businesses become wards of the federal government?
Merrick Carey, President
Alexis de Tocqueville Institution
Arlington, Va.

Arbitration Can Limit Sexual-Harassment Claims

"Sexual Harassment: Reducing The Risks" [March] omitted one of the most useful risk-reducing procedures: a standard agreement entered into with all of a company's employees that requires binding arbitration. This would cover claims of sexual harassment or discrimination, other forms of discrimination, and virtually any other type of claim that an employee might assert (with the exception of workers' compensation).

Such an agreement has been held to be enforceable (in place of court litigation) by the U.S. Supreme Court.
Donald L. Kreindler, Senior Partner
Kreindler & Relkin
New York

Buy/Sell Agreements And Fair Market Value

A March Small Business Financial Adviser item, "The Importance Of Buy/Sell Agreements," should have pointed out that under the Internal Revenue Code, a family group that holds 50 percent or more of the vote or value of a company must adhere to the additional requirement that the buy/sell agreement essentially reflect fair market value.

Family-business owners who set up a buy/sell agreement valuation formula that doesn't conform to this statute may face an estate-tax value on the purchased shares well in excess of what the surviving owner actually paid the estate for the deceased owner's interest.
Curtis R. Kimball, CFA, ASA
Willamette Management Associates
Portland, Ore.

Correction

In "How States Are Rewriting Small-Group Market Rules," a table that accompanied the March cover story on health-insurance reform, nine states were inadvertently omitted. They are Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

The chart showed whether health insurers in each of the states are subject to rules concerning the guaranteed issue of policies, guaranteed renewal, coverage portability for workers who change jobs, and rate restrictions. All nine states have established requirements in all four of those categories except for the following: Guaranteed issue of policies is not a rule in Utah or West Virginia, and guaranteed renewability is not a rule in Vermont.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may also fax your letter to (202) 887-3437, or transmit it to our CompuServe address: 76436,1735. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.*

Entrepreneur's Notebook

By David Ross

When An Avocation Becomes A Business

Drive any highway in America, and you'll get an idea of what people are passionate about by reading the bumper stickers on their cars. Most likely, the object of such a passion—displayed like a badge of honor—is not the way the driver makes a living.

I, on the other hand, have spent most of my business life pursuing my passions, turning hobbies into livelihoods. For a while I booked club appearances for Chicago-area bands; later I parlayed an interest in photography into a photo-processing company.

My latest venture is salvaging the name and tradition of Burger Boat Co., the 131-year-old yacht builder in Manitowoc, Wis. It has been my greatest passion and risk.

I enjoyed considerable success in the photo business. Ray Ehlert and I started Ross-Ehlert Photo Labs in 1973, and we built it into a $13 million business before selling to a British conglomerate some 16 years later. I was then able to return to my first love—boating—buying a 50-foot Italian-built cruiser. At the same time, I started searching for a new venture.

While inquiring about purchasing a Burger—long considered among the best in boating—I learned that the company had gone out of business. Crippled by the recession and by a luxury tax on boats over $100,000 (the tax was repealed in August 1993), Burger had sunk into bankruptcy. It was shuttered in 1990.

David Ross is president and CEO of Burger Boat Co., in Manitowoc, Wis. He prepared this account with Nation's Business *Contributing Editor Susan Biddle Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

Fourteen months after learning of Burger's fate, my partner, James Ruffolo, and I struck a deal to buy the Burger shipyard and company name. With an initial investment of less than $1 million, including purchase price, the shipyard reopened in February 1993 and delivered its first yacht in September 1994. We've just delivered our second, have three others under construction, and have contracts for three more, bringing sales to more than $25 million since reopening. Our work force, mostly second- and third-generation Burger employees, stands at 125. The company should turn a small profit this year.

PHOTO: ©BRUCE BUCHANAN

A passion for boating *led David Ross to acquire Burger Boat Co., a 131-year-old yacht builder in Wisconsin.*

It hasn't been easy sailing, however, and anyone thinking of turning a passion into a business should not start out expecting a joyride:

First, take time to find your niche. I threw myself into photography in 1971, but it wasn't until the end of 1973 that I went into business. During that time, I discovered my strength was in creating negatives, not in artistic composition, which convinced me I would be more successful in the processing end of photography.

Once you've found the basis for a business, put it to the test. Passion aside, I wasn't going to throw away everything I had. I developed a business plan to determine if and how Burger could be profitable. When passion is involved, hard-core business realities can easily be viewed through rose-colored glasses.

It's just as easy to lose your passion if business falters and you aren't prepared. Developing the plan led me to analyze the industry, the labor pool, the production costs, and the competition, ultimately showing Burger's potential viability.

Realize your shortcomings and secure strong partners. I'm neither a detail person nor a boat builder. To return Burger to prominence, I needed a team of experts: My partner, James Ruffolo, who serves as Burger's vice president, chief operating officer, and plant manager, enjoys and excels at managing details and day-to-day operations, while I prefer working with customers and handling creative direction. Our chief architect has been designing and engineering luxury yachts for more than 30 years. I even hired the former secretary of Henry E. Burger (the last Burger to run the company) to help come up with administrative guidelines.

Give workers incentive to share your passion. Your love for the business doesn't mean your employees feel the same way. At Burger, we need craftsmen who add their vision to the product; to keep them motivated, we created a profit-sharing and benefits package. It's not enough for employees to love the work; they have to feel that they have a stake in the company's success as well.

It has been three years of struggles and 80-hour weeks, and it's still my passion. This one's here to stay. NB

What I Learned

By defining your niche and assembling a winning team, you can succeed. But don't expect a joyride.

Dateline: Washington

Business news in brief from the nation's capital.

ACCOUNTING

Industry Board Backs Away From Stock-Option Change

The dust is still settling, but it appears that stock options have survived a serious attack with scarcely a scratch.

These options—used by many growing companies, especially high-tech firms, to compensate and motivate their employees—fell under a cloud in 1993. The Financial Accounting Standards Board, a private body that draws up the rules for the accounting industry, proposed then that companies granting options be required to charge their estimated value against earnings. (See "A Possible Threat To Stock Options," August 1994.)

Opposition to that proposed change was both widespread and vigorous, centering on the difficulty of assigning a value to a stock option that might not be exercised for years, if ever. The Senate approved—on a vote of 88 to 9—a nonbinding measure urging FASB to change its mind, and some members of Congress were ready to force a change legislatively if FASB did not retreat.

Now FASB has done just that, conceding grudgingly, in the words of its chairman, Dennis R. Beresford, that "there simply isn't enough support for the basic notion of requiring expense recognition." FASB decided instead to require companies that granted options to say how much net income would have been reduced if they had charged the options as an expense. (Companies also can expense the stock options if they choose.)

The disclosure requirement "is not a problem," says Ken Hagerty, director of the Coalition for American Equity Expansion, a Washington-based group of 50 companies opposed to the 1993 proposal. "It's what we've been after the whole time. We have nothing to hide."

The only remaining issue, which may be resolved this spring, is whether companies will be required to adhere to a single method for estimating the value of options or will be permitted instead to use a variety of methods, which could yield a range of values. If FASB were to prescribe a single method, it could still, in some future year, tell companies to charge that estimated value against earnings rather than reveal it in a note.

Dennis R. Beresford, chairman of the Financial Accounting Standards Board, concedes it is impractical to require expensing of stock options.

Hagerty thinks that FASB will permit the use of a range of values—if indeed it does not simply walk away from the controversy. "There isn't a single number today for what the value of a stock is going to be X number of years in the future," he says.

FEDERAL AGENCIES

Some Proposed Budget Cuts Would Impact Small Business

Borrowers and lenders would see the costs of participating in certain Small Business Administration programs rise under the Clinton administration's recently announced proposal to streamline the SBA and three other agencies.

The plan calls for the SBA to pass along to lenders and borrowers more costs associated with the popular 7(a) loan-guarantee program and eliminate government subsidies. Under the proposal, for example, the average loan—$170,000 for 12 years, according to the SBA—would cost the borrower an additional $782 upfront and $51 a month in fees. The lender would pay an additional $3,831 in fees—a cost it likely would pass along to the borrower.

In addition, the leaner SBA envisioned by Clinton would have only one office in most states, or about half the current total of 109 offices nationwide.

The proposed SBA changes are part of the administration's effort to cut an additional $13 billion from its 1996 budget proposal, which went to Capitol Hill earlier in the year. Other entities covered by the proposed cuts are the National Aeronautics and Space Administration, the Interior Department, and the Federal Emergency Management Agency.

High-tech firms and other NASA contractors would likely see a lower dollar volume in contracts awarded because of sharp reductions in contract funding proposed for 1996 and beyond. Oil and gas companies could be affected by the plan to transfer the Interior Department's functions in collecting royalties to the states.

The president's plan as well as congressional proposals to downsize government will be debated on Capitol Hill in the coming months, as the 1996 budget makes its way through Congress.

FOR THE RECORD

■ **The self-employed** can deduct 25 percent of their health-insurance premiums in 1994 and 30 percent thereafter as a result of legislation recently approved by Congress and signed by the president. Those who already have filed their 1994 taxes will have to file amended returns to gain the deduction.

■ **The U.S. Veterans Affairs Department** plans to spend more than $1 billion this year to purchase goods and services from small businesses, ranging from medical and surgical equipment to building projects. The VA also aims to purchase more than $200 million worth of needed items from minority- and women-owned firms.

To determine which office is buying what, use the VA Vendor Bulletin Board System. The system is accessible 24 hours a day via computer modem at 1-800-SELL-2-VA (1-800-785-5282). Those without a modem can obtain procurement information from the VA by calling (202) 535-8004.

■ **If you use a vehicle for business,** the IRS will allow you a tax deduction of 30 cents for each mile driven in 1995. The 1994 standard mileage deduction was 29 cents.

Managing Your Small Business

Transactions on line; building for the environment; a rainbow of marketing imagination.

By Roberta Maynard

TECHNOLOGY

Small Business Meets The Internet

The publisher of a small newsletter is demonstrating that cyberspace has something to offer small-business owners—and not just those who are technologically advanced.

Jo Roberts of Diamond Springs, Calif., recently began her first foray onto the Internet by advertising her *Do You Know Newsletter,* a collection of practical ideas and information on matters pertaining to the home. Roberts, who only recently traded her electric typewriter for a personal computer, is hoping to attract cyberspace audiences to her fledgling publication without spending much money. Her newsletter is available on the World Wide Web, an information system that links sites across the Internet.

In the past, collecting money has been a barrier for small businesses wanting to sell products electronically. Credit-card transactions require a business to have a hard-to-get credit card merchant account. But Roberts has discovered First Virtual, one of a handful of emerging Internet payment systems that overcome that barrier.

Promotional text on the Internet describes her newsletter and tells on-line users how to purchase and access it. Once a sale is completed and verified, First Virtual collects money for the product being purchased; the buyer's account is charged, and the seller's is credited. For security purposes, each transaction takes place in a closed-loop system, says First Virtual, so buyers' credit-card information is protected from display on the Internet itself.

The only requirements for buyers and sellers are an Internet mailbox and a First Virtual account. To participate, Roberts paid a $10 sign-up fee. In addition, First Virtual collects a fee for each transaction—29 cents plus 2 percent of the amount charged. The seller also pays a $1 processing fee each time a payment is made to its account. The buyer pays $2 to register.

For information on First Virtual's on-line registration, call (619) 234-1300, or send a message via the Internet to info@fv.com or via the World Wide Web to http://www.fv.com.

If the effort succeeds in boosting subscriptions, Roberts may also begin using the Internet to promote her 15-year-old catering business. "It's an effortless way for us to advertise," she says. "I think the idea is fabulous."

PHOTO: ©GEORGE OLSON

Subscriptions in cyberspace: *Jo Roberts' home-and-hearth newsletter now can be paid for via First Virtual, an Internet system that enables firms to sell products electronically.*

CONSTRUCTION

How To Benefit From Healthier Buildings

There's a rising demand that office buildings and homes be safer and more environmentally friendly, according to a new report by the Worldwatch Institute, and meeting that demand can benefit owners and builders alike. Worldwatch, a nonprofit research organization in Washington, D.C., notes a California subdivision where homes have solar heating and there's a network of bike paths. Those houses, says Worldwatch, are worth 12 percent more than similar homes nearby without those features.

Government and industry groups in many countries have established voluntary systems for rating buildings on environmental and health standards. British real-estate agents use the ratings to promote properties that they are selling. In the United States, the Green Building Council, a nonprofit trade association in Bethesda, Md., has just launched a voluntary rating system for commercial buildings. For information, call the council at (301) 657-3469.

Worldwatch suggests these strategies:

■ Exploit natural forces such as sun and wind. Because half of the energy used to make and run buildings goes to heating, ventilation, and lighting, designs that draw the maximum benefit from natural forces are the best way to save money and reduce environmental impact. Planting trees near buildings can cut cooling needs up to 30 percent, according to the report.

■ Select efficient appliances and climate-control systems, which cost more initially but save money in the long run. A residential development in Texas cut household utility bills by an estimated $450 a year by using efficient appliances and solar heating, which added about $156 a year to mortgage payments.

■ Use construction materials that don't emit toxins or require much transportation or processing. Use materials that are renewable, recyclable, or both.

The 67-page paperback report, *A Building Revolution: How Ecology and Health Concerns are Transforming Construction,* is available for $8. To order, call Worldwatch at (202) 452-1999.

PRODUCT DEVELOPMENT

Something New Under The Sun

With so many products on the market, coming up with something new can be daunting. But lucrative ideas come naturally to Norman Melnick, chief executive of Pentech International, in Edison, N.J.

Melnick started Pentech from scratch in his basement 11 years ago; last year, the company had revenues of $62 million. The firm's success is largely a result of Melnick's passion for developing new products—as many as 100 a year.

One of his strengths in creating items is his knack for putting a new spin on existing products and creating snazzy packaging for them.

One of his first products was based on four-color pens that hospitals use to keep records. He substituted hot colors such as lime green, violet, and hot pink, dubbed the pens Fireworks, and sold them in colorful, dynamic packaging. They were a hit. Later, Melnick packaged five highlighter pens of different colors and called them Hot Spots—another successful product.

Recent successes include sidewalk chalk, a $5 million seller last year that he rehatched this spring in egg shapes sold in a type of egg-carton packaging for Easter.

"I've seen [firms] successfully take an established candy and repackage it or take an existing item and throw a hologram on it, or take [adhesive bandages] and put pictures on them," says Melnick. "We didn't have to have miraculous products, just something that was not in the market, something that fills a need."

His newest products: a line of cosmetic pencils and a writing pencil that is encased in rubber rather than wood for comfortable writing.

"The world's your playground," says the 63-year-old Melnick. "If you're looking for opportunities and your mind is set on it, you'll find them."

Here are suggestions from Melnick that reflect his approach to developing products:

■ Study systematically what stores are selling.

■ Ask store buyers which items on the market sell better than others.

■ To catch trends, look at all product categories, not just your own. If, for example, you discover that glitter is being used in products and they're selling, try to use it, too.

■ Take your product to store buyers; they are the experts on what will sell and what won't.

■ When you find your business niche, stick to it. Last year, Melnick sold several craft items in a bucket for $9.95; they didn't do well. He says: "I realized that I'm not good at selling $10 items; I'm good at selling $1.98 items. That's where I'll stay."

PHOTO: OLEF SKOOGFORS—ZUMA IMAGES

Packaging pizzazz: *Norman Melnick's colorful creativity extends to products such as pens, pencils, even chalk.*

OPERATIONS

Avoiding The Pitfalls Of Outsourcing

Paying someone else to handle part of your operations can help you reduce costs and avoid headaches, but only if you take steps to minimize risks and maintain control. Here are some tips on outsourcing from Gary T. Snyder, president of CommonSense Management, a consulting firm in Ridgefield, Conn.:

■ Don't outsource functions critical to your operation; a manufacturing company might be wise to outsource its financial applications, but not its computerized assembly line. The idea is to protect the core business from delays or problems with the outside source.

■ Minimize cost fluctuations by outsourcing only functions whose costs do not vary much from month to month. This way, outsourcing expenses are predictable.

■ Be wary of extremely low fees. They may have been set to get your business, then increase dramatically the next year. As with any vendor search, meet with more than one firm, and ask for referrals.

■ Share the risk with the vendor. If possible, make his or her fees contingent on meeting the deadlines you set, and include this contingency in the contract.

■ Try to find out if the vendor has a heavy commitment to one large company; if so, your firm may be a low priority.

■ Have a backup plan that includes a list of other vendors in case the company you choose can't meet its obligations.

■ Stipulate in your contract that you own all data pertaining to your business. This will make it easier to retrieve the information and minimize disruptions if you want to change vendors.

The time to consider outsourcing is when another company can do a job better and more cheaply than you can. "It can be an effective way to acquire expertise and economies of scale," Snyder says. "But remember that you can't just let go of functions that are outsourced; someone in your business must keep tabs on how the [outside source] is performing."

NB TIPS

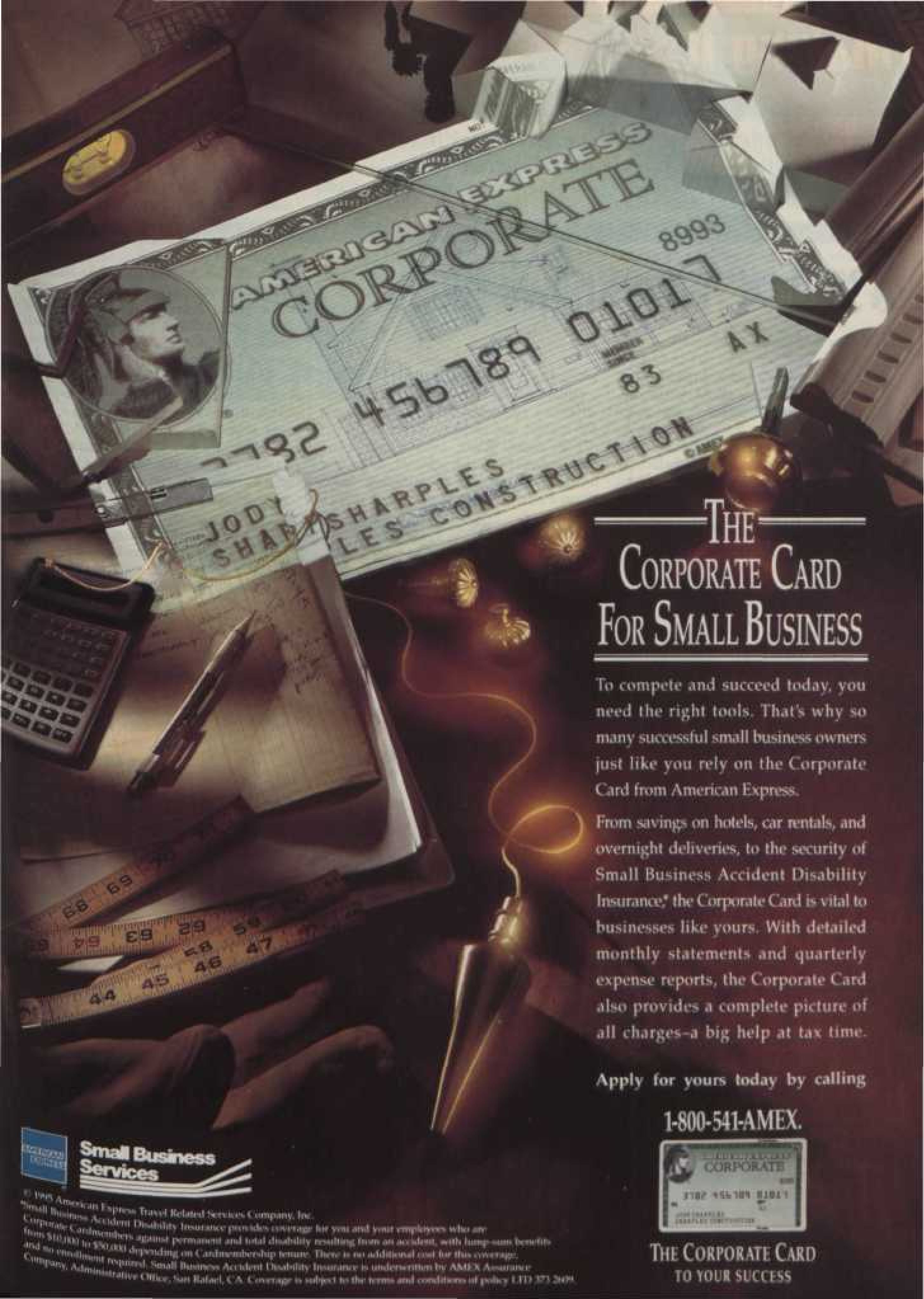
Where To Warehouse

A free 1995 listing of third-party warehouse companies in the United States is available from Affiliated Warehouse Companies Inc. Warehouse companies handle goods awaiting distribution, as well as overflow products. The state-by-state listings include information on the amount of space available from each company, as well as data on temperature control, rail sidings, trucking equipment, and special services.

Information on warehouse companies in Canada and Mexico is included. To request the 50-page directory, call Affiliated Warehouse Companies' New Jersey office at (908) 739-2323.

Facts On Retirement Benefits

You can help your employees answer their most frequently asked questions about benefits by giving them a copy of *Your New Social Security and Medicare Fact Sheet*, published by the Bureau of National Affairs (BNA), a private publisher of law and business products. The publication includes examples and summaries of federal rules covering Social Security and Medicare. The price is 95 cents a copy; the minimum order is 50 copies. To order or to get a free sample copy, write BNA Books, 300 Raritan Center Parkway, P.O. Box 7814, Edison, N.J., 08818; or call 1-800-960-1220; or send a fax to (908) 417-0482.


AMERICAN EXPRESS
CORPORATE
8993
3782 456789 01017
83
AX
JODY SHARPLES
SHARPLES CONSTRUCTION
THE CORPORATE CARD FOR SMALL BUSINESS
To compete and succeed today, you need the right tools. That's why so many successful small business owners just like you rely on the Corporate Card from American Express.
From savings on hotels, car rentals, and overnight deliveries, to the security of Small Business Accident Disability Insurance,* the Corporate Card is vital to businesses like yours. With detailed monthly statements and quarterly expense reports, the Corporate Card also provides a complete picture of all charges–a big help at tax time.
Apply for yours today by calling
1-800-541-AMEX.
THE CORPORATE CARD
TO YOUR SUCCESS
Small Business Services
© 1995 American Express Travel Related Services Company, Inc.
*Small Business Accident Disability Insurance provides coverage for you and your employees who are Corporate Cardmembers against permanent and total disability resulting from an accident, with lump-sum benefits from $10,000 to $50,000 depending on Cardmembership tenure. There is no additional cost for this coverage and no enrollment required. Small Business Accident Disability Insurance is underwritten by AMEX Assurance Company, Administrative Office, San Rafael, CA. Coverage is subject to the terms and conditions of policy LTD 373 2699.

Making It

Growing businesses share their experiences in creating and marketing new products and services.

A "Klutz" Who Knows Kids

By Steven B. Kaufman

It started out as a whim. In 1977, John Cassidy was working as a student teacher at a high school in Mountain View, Calif. When the sophomores in his remedial-reading class started dozing one day, he tossed out 75 tennis balls and handed out instructions on juggling.

Suddenly alert, students were soon juggling up a storm. The incident prodded Cassidy and two friends from Stanford University to publish a book titled *Juggling for the Complete Klutz*, packaged with three beanbags. It sold 3,000 copies within weeks and 50,000 by the end of 1978, the year the three formed Klutz Press in Palo Alto, Calif.

Cassidy and company hoped sales would keep building on their own, allowing the three to work as rafting guides in Northern California and Idaho. "The idea of building a career had no appeal," says Cassidy, 45, Klutz's chief executive.

That changed in 1982 with the publication of the company's second book, *The Hacky Sack Book*, a how-to guide to the beanbag-kicking game—with beanbags included. Sales took off again, and Cassidy knew he would be foolish not to concentrate on the company.

Today, Klutz Press is a successful publisher of interactive, "multimedia" children's books, spanning everything from clay modeling to knot tying to map reading. The company, which has published 45 titles, sells nearly 5 million books a year without having to advertise, generates annual sales of about $25 million, and employs 35 people.

For years, Klutz books have been fixtures on *Publishers Weekly's* lists of best-selling children's nonfiction. Now, Klutz Press is preparing to work with a German publisher to expand into Europe.

Cassidy, the only partner still fully active in the business, says he is "obsessively" devoted to Klutz products, which means most of them stay under development for two years. He tests his books on his two children as well as on pupils at Escondido Elementary School, located in Stanford, and he seems to retain a sixth sense about what kids like.

Mostly, he says, they like having fun. Cassidy ensures that by supplementing the durable cardboard pages of his books with the "equipment" kids need to experience what they read. *Cat's Cradle*, a book about making string figures, comes with a tie-dyed loop of string. *Watercolor for the Artistically Undiscovered* is accompanied by a brush and a six-color palette of watercolors.

The *Explorabook*, published with San Francisco's Exploratorium science museum, includes a magnet, a mirror, and packets of agar to produce bacterial cultures. All of Klutz Press' books sell for less than $20.

"Kids don't learn all that much by listening or reading," Cassidy says. "They need to get elbow-deep in a subject and touch it, feel it, and smell it."

Some Klutz books appeal to adults as well as to children, broadening sales. *Watercolor for the Artistically Undiscovered*, for one, is popular among retirees.

Unusually big press runs—150,000 compared with the 10,000 to 15,000 typical of children's books—keep prices down. And because Klutz books are also viewed as toys and novelties, they appeal not just to booksellers

They're so full of fun *that books from John Cassidy's Klutz Press, in Palo Alto, Calif., regularly land on children's best-seller lists.*

but also to a wide variety of retailers—more than 10,000 altogether.

Kurt Feichtmeir, general manager of the Exploratorium museum's consumer products, thought the $18 *Explorabook*, published in September 1991, might eventually sell 100,000 copies. It has already sold more than 800,000. Feichtmeir, initially stunned by the success, now understands: "John has a magical way of presenting a topic, whatever it may be."

As might be expected, the atmosphere at Klutz Press, located in a former warehouse, is California casual. Few people have titles, and fewer still wear standard business attire. Nobody, including Cassidy, works particularly long hours.

"In terms of being laid back, we take a back seat to nobody," Cassidy says, and he adds that he's not interested in seeing Klutz grow any faster than it has grown in the past.

Growth nonetheless remains part of the game plan, as the European expansion indicates. In the wake of the success of the *Explorabook*, Klutz Press is also pushing more aggressively into educationally oriented titles. *EarthSearch*, a geography book, was published last October, and now a book on general science and one on mathematics are in the works.

"Talk to a kid about fun and math, and it's like you're talking about two different sides of the universe," Cassidy says. "If we can climb this mountain, there's nothing we can't tackle."

Odds are, the endeavor will be successful. It's all a matter of approach, and fun is always foremost. "I can hang a spoon off my nose," Cassidy boasts, "and I take a lot of pride in that." ■

Steven B. Kaufman is a free-lance writer in San Jose, Calif.

Building Trans-Pacific Ties

By Julian M. Weiss

It was not a difficult decision for C.T. Hsu when he decided to go into business for himself in Orlando, Fla., 11 years ago. The Taiwanese-born architect had grown restless with his job at the Orlando office of an Iowa-based architecture firm.

Hsu, who studied at the Massachusetts Institute of Technology, sensed the potential for niche opportunities in Central Florida. Its expanding tourism, service, and technology industries and its continuous population growth, he thought, would require the design and construction of facilities such as schools and restaurants. Based on that bet, he founded his own architecture firm, C.T. Hsu and Associates.

These days, potential clients don't respond, "C.T. *Who?*" anymore when they hear his name (it's pronounced shoo). He has won a reputation as an innovator and as a bridge between his adopted country and opportunities in Asia. His company has grown to 24 employees, and he expects revenue of $3.5 million this year, up from $2.8 million in 1994.

His first contract, in 1984, was a $2,000 grocery store renovation. "I was happy to get it and would bid on anything that seemed viable," he says. Other early jobs included remodeling medical clinics and designing modest shopping centers. Hsu worked out of his home, and he says strong moral support from his wife, Jin Hsia (pronounced jin sha; she goes by Jean), helped sustain him. The long hours eventually paid off when he won his first major contract, a six-figure bid to design the Ran-Getsu, now considered the premier Japanese restaurant in Orlando.

PHOTO: JOHN TOUCHTON

His design for the Ran-Getsu, *a Japanese restaurant in Orlando, Fla., sparked the growth of C.T. Hsu's architecture firm.*

Hsu was introduced to the proposed restaurant's developers by Japanese businessmen visiting Orlando. They were impressed by the architect's work but pointed out their concern about his willingness to work "on Tokyo time"—14 hours ahead of Eastern time. Hsu had his first Orlando meeting with the would-be clients at 10:30 p.m., proving he could cope with the time difference.

The restaurant, featuring pagoda ornamentation, became the showcase Hsu needed. Two other prestigious restaurant projects in Orlando soon followed: China Court and Caruso's Palace.

Although Central Florida continued to boom in the mid-1980s, Hsu persuaded local governments to save money by retrofitting schools, civic pavilions, and libraries rather than building from scratch. It was an attitude that won him respect when the economy slowed down in the early '90s. Soon, Hsu counted some of Florida's major tourist attractions as clients, including Disney-MGM, Universal Studios, and Splendid China, a partly Chinese-owned theme park that he designed in Kissimmee.

Hsu's experience with the developers of the Ran-Getsu taught him early the value not only of doing business with Asia but also of networking with Asian Americans in his own community. The Chinese, he says, "call it *guanxi*, meaning 'to build contacts.' The process is generation to generation."

As a result of such networking and an aggressive international campaign, Hsu's company has won tourism-related projects and restaurant contracts not only in Italy and Brazil but also in Taiwan, Hong Kong, and the Philippines. And last spring, the architect was chosen to accompany Orlando Mayor Glenda Hood on a trade mission to Beijing.

Hsu believes his Orlando location is fundamental to his firm's future growth. He calls it a "Silicon Valley" of technology essential to the burgeoning theme-park industry, such as lasers, simulation, and virtual reality.

Reflecting on the fiercely competitive nature of architecture, he says, "You have to keep just slightly ahead of trends in order to keep earning business." ■

Julian M. Weiss is a free-lance writer in Greenbelt, Md.

A Foothold In Business

By Michael Barrier

"I always wanted to do something of my own," Charles Barnard says—but, for 10 years, an enjoyable job stood in the way. Barnard, 39, a native of Alabama, went to work for IBM after graduating from Vanderbilt University with a bachelor's degree in mechanical engineering. He later took time out from IBM to earn his MBA from the University of Virginia.

"I was given a lot of challenging stuff to do, which kept me involved," he recalls. In 1983, he and some other promising executives went through a weeklong training program involving daily tests of management skills. There was, for instance, an in-basket test that required going through a huge stack of paper in three hours and deciding what to do with each piece.

"At the end of that program," he recalls, "four senior executives reviewed what you'd done and gave your three greatest strengths and three greatest weaknesses. The first two executives I talked to listed as my greatest weakness that I was too opportunistic." The last two singled out the same thing—but as a strength, not a weakness. Barnard realized he agreed with the latter view.

PHOTO: ©CHUCK KNEYSE—BLACK STAR

Socked-in *at his Kansas City, Mo., store is Foot Traffic's owner, Charles Barnard, who left IBM to return to retail roots.*

He was then working for IBM's controller in White Plains, N.Y., "in one of the ivoriest of ivory towers," he says. To see the opportunities, he concluded, he needed to be "on the street," so he left IBM in 1984, "knowing that somehow I'd find what I wanted to do."

What he "wanted to do" has been visible since 1987 in the form of stores called d.b.a. Socks; they're now in eight malls across the country. Barnard's aim is to give socks some of the same romance and glamour that Victoria's Secret gives to undergarments. So his stores sell a wide variety of designer and novelty socks.

Barnard's company—he is the sole owner, and there are no franchisees—is called Foot Traffic, but the stores bear a different name because he feared a store called Foot Traffic would be confused with a shoe store. Now he is concerned more that the stores have a name that will be remembered, "and Foot Traffic is a name that everybody seems to like." So the names are changing, and all will be known as Foot Traffic by year's end.

Foot Traffic has stores in tourist-rich areas in Los Angeles, San Francisco, Washington, New Orleans, Boston, Baltimore, and New York, as well as Barnard's home base of Kansas City, Mo. Barnard is interested less in the number of stores than in sales volume, and to get it he puts his stores in high-priced shopping centers like Faneuil Hall in Boston and Harborplace in Baltimore.

"There's no one else who's selling the kind of volume we are out of a specialty sock store," he says. His Los Angeles store, for instance, in the upscale Beverly Center shopping mall, sells $1 million worth of socks a year. As Barnard says, "That's a lot of socks."

Foot Traffic sees a lot of "guilt purchases," Barnard says, by business travelers who want to take a gift home. "We don't get a lot of return business," he acknowledges, "but we cross-pollinate the mail-order business"—Foot Traffic began issuing a twice-yearly mail-order catalog in 1993—"and we're building that list up like you wouldn't believe."

Barnard has retail roots: His great-grandfather was a fur trader who started a general store in 1897 in Kentucky. So, after Barnard left IBM, it was natural for him to head in that direction; but his first retail venture was not a socks store, but a franchised cookie store. He chose to settle in Kansas City because it is such a representative U.S. city. His idea, he says, was that "if it works in Kansas City, it'll work other places." He eventually owned four cookie shops there.

The idea of a sock store wasn't Barnard's. A mall developer in Kansas City heard of an English chain called the Sock Shop and asked Barnard if he would put one in a mall. Barnard looked into the market and was impressed by the figures: The market for socks was about four times as large as the market for ties, and yet ties could support specialty stores; so why couldn't socks do the same?

He visited the British stores, which turned out to be small shops with "intimate apparel," like cotton tights for women. But he liked the idea of opening a real sock store, and, in August 1987, he did (although not in the developer's mall).

Barnard and two other investors opened the first d.b.a. Socks with an investment of $7,500 each. (Barnard eventually bought out both of his partners.) Back then, he says, "the selection just wasn't there. We bought every style everybody had, just to fill the store out." The only licensed socks character then was Mickey Mouse.

Mickey has since been joined by a host of other cartoon characters, ranging from Felix the Cat to Fred Flintstone, matching the explosion in styles of other kinds of hosiery. "As much as we've done," Barnard says, "there's so much more to do. We're seeing a tremendous amount of focus on feet in fashion."

It's an open question, though, how much longer he will sell socks, since—as his career so far indicates—he's committed to being in business, rather than to a particular kind of business (he still owns one cookie store). "I love what I do," he says, "but that doesn't mean that there aren't other things I could do. My life is meant to be challenging and fun, and it is." ■

It suggests both Fortune 500 and Indianapolis 500.

Calfnap-grained leather-trimmed seats. Cavernous space thanks to its innovative cab-forward design. A premium 120-watt Chrysler/Infinity Spatial Imaging™ Sound System with no fewer than 11 speakers. And, of course, driver and front passenger air bags.† Why, with all that, you'd think we made this car exclusively for the corporate elite. Enter a 214 horsepower, 24-valve, 3.5 liter V6 engine. Road-touring suspension and low-speed traction control. Plus a wide track for superior handling. And you'd be apt to think racing elite. Chrysler LHS. Whatever circles you drive in, you'll be comfortable in both. For more information, call 1-800-4-A-CHRYSLER.

Chrysler LHS
form follows function

Fortune 500 is a registered trademark of Time Inc. Indianapolis 500 is a registered trademark of IMS Corp. †Always wear your seat belt.

COVER STORY

Restoring The American Dream

By Roger Thompson

They came. They voted. They delivered.

The hyperactive new Republican majority in the House of Representatives rammed through most of its 10-point Contract With America in just 93 days—warp speed for an institution long plagued by chronic gridlock.

Exhausted, the representatives paused April 7 to celebrate with a campaign-style victory rally on the steps of the Capitol, where they had unveiled the Contract six months earlier. Then they rushed home for a three-week recess to tell their constituents they had kept their promise to advance the cause of smaller government, less regulation, and lower taxes. The Contract made at least a down payment on all three.

"While we've done a lot, this Contract has never been about curing all the ills of the nation," declared House Speaker Newt Gingrich, R-Ga., in a nationally televised speech April 7 marking the completion of the Contract. "One hundred days cannot overturn the neglect of decades."

After four months of frenetic activity and intense, sometimes bitter debate—especially on welfare reform, tax cuts, and term limits—the House Republicans welcomed a chance to recoup and return to their core message: The Contract is just the first installment on a larger plan to restore the American Dream's tarnished promise of personal freedom, economic growth, and prosperity for this generation and those to come.

Says Haley Barbour, chairman of the Republican National Committee: "Government is too big for its britches, and we're not getting our money's worth for our tax dollars. That's part of what's happened to the American Dream. It's been undermined by huge deficits and debt."

But not for much longer if the House Republicans pull off the next phase of their revolution: dramatically shrinking

Senior Editor John S. DeMott, Deputy Editor Albert G. Holzinger, and Senior Writer Laura M. Litvan contributed to this report.

PHOTO: KIM CALLAWAY

Publishing executive *Carol Ball says business bears "unbelievable" costs in complying with federal paperwork. "There's no such thing as a good regulation in my book."*

House Republicans say they have the answer, and their agenda now commands center stage in Washington.

most major federal programs, possibly scrapping the income-tax system in favor of a simplified tax system, and balancing the federal budget by 2002. Ending deficit spending, according to one GOP estimate, would be a boon to the economy, translating into a drop of about 2 percentage points in interest rates for such things as home mortgages and automobile, credit-card, and business loans.

For small-business owners like Carol Ball, chief executive officer of Ball Publishing Co., in Greenville, Ohio, the GOP is delivering a message of fiscal and regulatory restraint that is long overdue.

Big government, says Ball, "simply makes everything cost more. It costs more to do business. It costs more to pay people. It costs more to buy supplies. The cost of the paperwork [federal bureaucrats] impose upon us is unbelievable. There's no such thing as a good regulation in my book."

"The agenda in the Contract, in many respects, is the Chamber's agenda," says Bruce Josten, senior vice president for membership policy of the U.S. Chamber of Commerce. By overwhelming margins, respondents to a Where I Stand poll in the January *Nation's Business* said they support the Contract. "It's a commitment to the American people and largely reflects the views of business, as the [poll] results indicate," Josten says.

Ultimately, says House Majority Leader Richard K. Armey of Texas, small firms will benefit handsomely from the Contract's commitment to less government and lower taxes. Small businesses, he says, "will be greater in number and more successful, as more people are given relief from the burden of taxation and regulation."

It won't happen, though, unless the Senate climbs aboard the Contract bandwagon. Senate GOP leaders caution that much of their House colleagues' handiwork will be altered in the months ahead. And it remains to be seen how much of it will become veto bait for the Clinton White House.

Some key parts of the Contract already have been lost, although perhaps not irretrievably. The term-limits bill fell 63 votes

Keep this page to hold us accountable.

Republican House candidates have pledged, in writing, to vote on these 10 common-sense reforms.

Contract With America

We've listened to your concerns, and we hear you loud and clear.

On the first day of Congress, a **Republican House** will:

- Force Congress to live under the same laws as every other American
- Cut one out of every three congressional committee staffers
- Cut the congressional budget

Then, in the first 100 days, we will vote on the following 10 bills:

Done 1. **Balanced-budget amendment and line-item veto:** It's time to force the government to live within its means and to restore accountability to the budget in Washington.

Done 2. **Stop violent criminals:** Let's get tough with an effective, believable, and timely death penalty for violent offenders. Let's also reduce crime by building more prisons, making sentences longer, and putting more police on the streets.

Done 3. **Welfare reform:** The government should encourage people to work, *not* to have children out of wedlock.

Done 4. **Protect our kids:** We must strengthen families by giving parents greater control over education, enforcing child-support payments, and getting tough on child pornography.

Done 5. **Tax cuts for families:** Let's make it easier to achieve the American Dream, save money, buy a home, and send the kids to college.

Done 6. **Strong national defense:** We need to ensure a strong national defense by restoring the essential parts of our national-security funding.

Done 7. **Raise the senior citizens' earning limit:** We can put an end to government age discrimination that discourages seniors from working if they choose.

Done 8. **Roll back government regulations**: Let's slash regulations that strangle small businesses, and let's make it easier for people to invest in order to create jobs and increase wages.

Done 9. **Common-sense legal reform:** We can finally stop excessive legal claims, frivolous lawsuits, and overzealous lawyers.

Done 10. **Congressional term limits:** Let's replace career politicians with citizen legislators. After all, politics shouldn't be a lifetime job.

After these 10 bills, we'll tackle issues such as common-sense health-care reform, tax-rate reductions, and improvements in our children's education.

If we break this contract, throw us out. We mean it.

Within 100 days *of taking office, House Republicans had voted on legislation embodying all the major points in the Contract—as shown by the check marks on this version, adapted from a pre-election ad.*

short of the two-thirds majority—290 votes—needed for passage in the House. But it was the first time a term-limits bill had made it to a floor vote in either house of Congress. And the Senate rejected a balanced-budget amendment to the Constitution by one vote. Both measures are likely to come up again, however.

Meanwhile, the Democrats have hammered away at House Republicans, contending they have been overzealous in cutting programs for the young, the elderly, and the poor. Recent polls show that a majority of Americans worry that the GOP band in the House is going too far in cutting social programs.

House Republican leaders counter that their actions are being distorted for political gain. "I'm sure you've all heard the dire cries that we are going to take food out of the mouths of schoolchildren," said Gingrich during his April 7 televised speech. "The fact of the matter is that all we did was to vote to increase school-lunch [program] money 4½ percent every year for the next five years and give the money to the states [in block grants] to spend."

Nonetheless, Republican strategists confidently view their success with the Contract as positioning them to slam-dunk the Democrats in next year's presidential election. "It's very simple," says Ed Miller, senior research analyst for Luntz Research, the Arlington, Va., polling firm that test-marketed the Contract with voter focus groups. "If the Republicans follow through and do what they said they would do, they will be the permanent majority."

Environmental-firm president *Bruce Cowen calls for less paperwork; at right is lab supervisor Lance Cotton.*

Retaking the White House is essential to the Republicans' long-term strategy for downsizing Washington and returning federal programs to state and local control. "It's terribly important that [the midterm election] be followed by a Republican victory in 1996," says William Kristol, a prominent Republican strategist and head of the Project for the Republican Future, in Washington. "You can't really realign our politics or our public policy without the White House. You can make a start with Congress, but you need the White House."

Not so fast, says Will Marshall, president of the Progressive Policy Institute, the public-policy research organization in Washington that fashioned President Clinton's New Democrat agenda during the 1992 election. The agenda was one of less government and lower taxes, which Clinton subsequently allowed to atrophy.

"The Republicans are foolish if they think the verdict of 1994 was anything but a provisional one," declares Marshall. "Bashing the old liberal programs doesn't do it. People want to know what you are going to do for them, not just that you identify with their critique of ultraliberalism and big government.

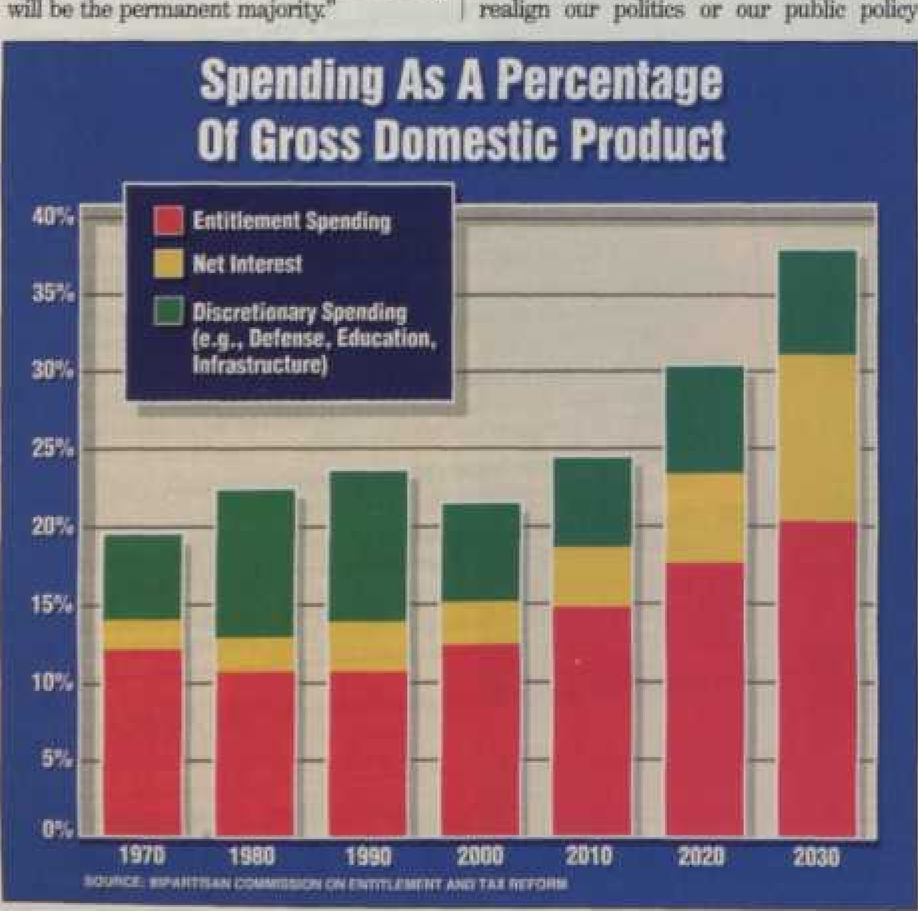
"The Contract looks back at the Republican argument with Democratic Party liberalism, not ahead to the Republican vision for governing America in a post-New Deal era," Marshall says.

Perhaps, but dismantling a failed system of New Deal-style big-government activism is vision enough, at least for a start, says Josten. "The underlying theme of the Contract is to shrink, change, and question every function of government," he says. "It seeks to end what I call betterment through bureaucracy."

The Contract also had another important effect, says Gingrich. Its purpose "has been to show that change is possible, that even in Washington you can do what you say you're going to do."

The "vision thing," as President Bush once called it, suddenly is in the limelight in American politics. The fall campaign was the most ideologically charged in recent memory. The post-mortem on the Democrats' stunning losses last November in Congress, governors' mansions, and statehouses across the country can be boiled down to four words: It's the government, stupid.

The Republicans, it appears, have finally won their long-running battle to discredit the New Deal's liberal credo: There isn't any problem that an activist federal government can't solve. Most Americans now apparently believe that the government does more harm than good. They blame the federal government for stagnant wages—income of a typical household declined about $300 in 1993—and diminished prospects for the future.



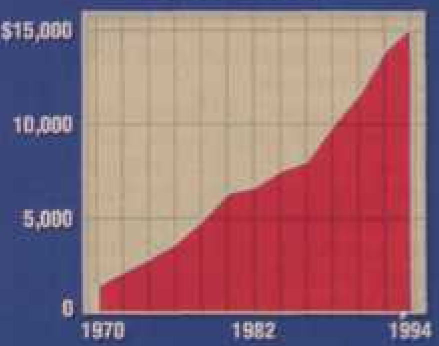
A recent *Business Week*/Harris poll

Federal Taxes

Receipts include individual, corporate, excise, and Social Security taxes, in billions.

SOURCE: BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 1996

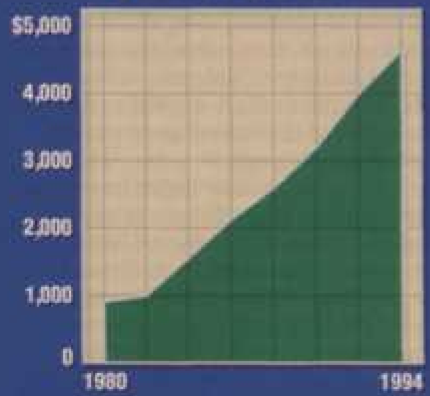
Federal Regulatory Spending



Cost of federal enforcement of regulations. Amounts are current dollars, in millions.

SOURCE: CENTER FOR THE STUDY OF AMERICAN BUSINESS, WASHINGTON UNIVERSITY, ST. LOUIS

Federal Debt



Total federal debt held by the public and in government accounts, in billions.

SOURCE: BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 1996

found that 73 percent of Americans think that government spending is to blame for stagnant incomes, and 61 percent also blame high taxes. Moreover, two-thirds say that the American Dream has become harder to achieve over the past decade, and three-quarters worry that their children will have an even harder time.

In truth, the Clinton administration inherited many of the problems that contributed to the nation's economic malaise. The national debt swelled from $1 trillion to more than $4 trillion in the 1980s. Wages for American workers have been stagnant for 20 years. Global competition has spurred round after round of corporate downsizing, which in turn has left millions without work and millions more feeling anxious about their job security. And the dramatic end to the Cold War has triggered massive defense-industry cutbacks and base closings.

Clinton promised during the 1992 campaign that he would address these problems, and he raised expectations that life would improve. In fact, businesses have added more than 4 million jobs over the past two years, interest rates are still relatively low, and the economy is growing. Yet none of that seems to matter in the minds of anxious voters.

What's more important, it seems, is that Clinton and the Democrats who controlled Congress didn't deliver on key promises. Among other things, the president failed to carry through with a middle-class tax cut promised during the 1992 campaign, and he suffered a humiliating defeat on his No. 1 domestic priority—health-care reform.

His big-government master plan for health care fell on sterile electoral soil. And despite campaign rhetoric about "reinventing" government to make it smaller and less burdensome, small businesses—the economy's job-generating engine—are still waiting for their most cherished reform: relief from inflexible and overbearing regulations.

Four of the top 10 issues on the U.S. Chamber of Commerce's National Business Agenda deal with regulatory reform. It's no wonder. Horror stories abound:

■ William A. Stone's run-in with U.S. Occupational Safety and Health Administration inspectors is typical. Stone, president and chief executive officer of Louisville Plate Glass Co., in Louisville, Ky., was fined for a workplace-safety violation for failure to remove an out-of-service glass-polishing machine from the shop floor, even though the machine was disconnected from all power sources and displayed signs warning that it was no longer to be used. With the help of an attorney, Stone eventually got the fine reduced "to several hundred dollars."

■ Carol Ball, the Ohio newspaper publisher, has her own tale of woe. She was cited by the U.S. Department of Housing and Urban Development for running a classified ad placed by a senior citizen seeking to rent an apartment in a building populated largely by retired people. Although Ball says she wasn't aware that the ad violated the federal Fair Housing Act of 1968, a HUD official told her she "should have known the ad was illegal" because it discriminates against young couples and children. Ball eventually paid a $1,000 fine to the person who filed the complaint.

■ Christopher Wass, owner of Alphabatics Corp., a West Des Moines, Iowa, firm with three stores selling educational toys, shelled out $3,000 to complete asbestos-testing requirements of the U.S. Environmental Protection Agency in an old building while he ultimately paid only $1,200 for asbestos removal.

Even routine paperwork requires too much time and effort, says Bruce Cowen, president of TRC Companies Inc., in Windsor, Conn., an environmental engineering firm. For example, his manufacturing clients struggle with duplicative federal and state forms detailing how they use and dispose of certain chemicals. "Why can't they have just one form?" asks Cowen.

A business backlash against overzealous regulation produced one of the early Contract successes: The House passed a bill that would block issuance of most major new regulations until the end of the year or until a broader bill to curb unnecessary regulations passed. In late March, the Senate approved a version of the bill that would give Congress 45 days to review and possibly overturn new regulations.

The revolt against federal regulation is emblematic of the anti-government populism that spawned the Contract. The "nanny state" that attempts to do too much, and does too little well, is targeted for demolition.

Says Rep. Sam Brownback of Kansas, the House Republicans' freshman class president: "To the extent that we can remove the federal government and get it off [small businesses'] back and out of your pocket, we're going to free you up to allow the genius of America, to allow that individual entrepreneur to grow and prosper."

Richard L. Lesher, president of the U.S. Chamber of Commerce, sees the push for smaller government as an extension of larger social forces. "The whole country is going through a reinvention and downsizing," says Lesher. "Most large American companies have gone through it, state and local governments have gone through it. Even academic institutions are going through it. The last one to go through it is the one that caused all the problems: Uncle Sam."

Republican governors, now 30 strong, have embraced this theme and are calling for a Conference of the States in October to redefine the relationship between the federal government and the states. (See the story on Page 22.) The state executives

COVER STORY

States Plan For Historic Conference

If all goes as planned, delegations of elected officials from across the country will hold a historic Conference of the States this fall to chart ways to reclaim powers lost to the federal government over the past 50 years.

At least a dozen state legislatures have already approved resolutions to send delegations, says Utah's Gov. Mike Leavitt, a Republican. Leavitt and Nebraska's Gov. Benjamin Nelson, a Democrat, came up with the idea, and Leavitt says he hopes that most if not all states will attend.

The conference idea has won endorsement from the National Governors Association, the National Conference of State Legislators, and the Council of State Governments.

Tentatively set for Philadelphia in October, the meeting is envisioned as a bipartisan effort to develop a plan to restore balance to federal/state relationships.

Governors are especially frustrated by the rising number and cost of programs that Congress and the president enact but that state and local governments must implement and finance.

Gov. George V. Voinovich of Ohio notes that state and local governments were forced to comply with only 19 new mandates between 1970 and 1986 but some 72 since then. He estimates that unfunded federal programs will cost the nation's cities and counties nearly $88 billion from 1993 to 1998.

In response to the concerns of the governors—and those of business, which also ultimately must bear the brunt of many of these mandates—Congress passed and President Clinton signed legislation in March that limits the federal government's ability to impose unfunded mandates on the public and private sectors.

Many governors consider such mandates the most glaring example of how Congress has overstepped the 10th Amendment's restrictions on the powers of the federal government.

The 10th Amendment, the last of the Bill of Rights, states simply: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."


PHOTO: T. MICHAEL KEZA

Utah's *Republican Gov. Mike Leavitt, at the microphone, urges bipartisan support for the planned Conference of the States.*

Promoting the 10th Amendment has become a popular theme for Republicans. It complements the new GOP congressional leadership's push to shrink the federal government.

When the nation's 30 Republican governors met in Williamsburg, Va., last winter, they invoked the spirit of the Founding Fathers in approving The Williamsburg Resolve. The 10-page document declared the governors' intent to reassert the states' proper powers in a federal system. It read in part:

"Here and in other colonial capitals, the nation's founders first debated the idea of independence and the fundamental principles of freedom. Then, the challenge to the liberties of the people came from an arrogant, overbearing monarchy across the sea.

"Today, the challenge comes from our own federal government—a government that has defied, and that now ignores, virtually every constitutional limit fashioned by the framers to confine its reach and thus to guard the freedoms of the people. . . .

"Today, there is virtually no area of public responsibility or private activity in which the federal authorities do not assert the power to override the will of the people in the states through federal rules, rulings, and enactments."

The Conference of the States would allow legislators and governors to vent their frustration with ever-growing federal power while planning to reduce it.

Each state that authorizes participation will send a bipartisan five-person delegation, including its governor.

Delegates would develop and vote on ways to correct the imbalance of power in the federal system, creating a final document called a States' Petition. It might include, for example, a proposal to put states on equal footing with Congress in proposing amendments to the U.S. Constitution.

The petition would have no force of law or binding authority. But it would carry a lot of political weight. Delegates would seek to win approval for the petition from state legislatures. Ultimately, the states that approved it would present the petition to Congress and request a formal response.

—Roger Thompson

contend the federal government has become too intrusive, and they want to create a set of principles to guide Congress in shedding some of its accumulated power.

Pervasive distrust of the government explains why four of the 10 items in the Contract place new restraints on Congress, says William Niskanen, president of the Cato Institute, a libertarian public-policy research organization in Washington. The four items are a balanced-budget amendment to the Constitution, line-item veto authority for the president, term limits for members of Congress, and relief from unfunded federal-government mandates.

In addition, the Contract called on Congress to pass on opening day a requirement that all laws applicable to the rest of the country be made applicable to Washington lawmakers as well. Not one House member voted against it. In keeping with the Contract, Congress also cut committee staffs and budgets by one-third.

While many elements of the Contract won bipartisan support in Congress—including line-item veto authority and restraint on unfunded mandates—the battle over proposed tax cuts revealed fissures within the ranks of the new Republican majority and drew strong opposition from the Democrats.

The House Ways and Means Committee in March approved a package that would cut taxes by $189 billion over five years. Simultaneously, the House Budget Committee approved a package of $190 billion in mostly unspecified spending cuts to pay for the tax cuts.

Among other provisions, the tax-relief bill included a tax credit of $500 per child for families earning up to $200,000; a cut in capital-gains taxes for businesses and individuals; a tax cut to offset partially the "marriage penalty" for two-earner couples; expanded Individual Retirement Account eligibility; higher annual write-offs for business capital investment; and phasing out the alternative minimum tax over five years. The AMT was established to ensure that companies pay at least some federal tax.

Deficit hawks in both political parties immediately protested that the proposed tax cuts should come only after substantial progress has been made on taming the federal budget deficit, currently projected to be more than $200 billion a year through 2000. And 102 of the 230 House Republicans, including 10 committee chairmen, urged Speaker Gingrich to target more narrowly the $500-per-child tax credit—the most costly element of the tax-cut package—to middle-income families earning less than $95,000 a year.

Gingrich proclaimed the tax-cut package to be the "crown jewel" of the Contract and argued that there was no reason why Congress can't cut taxes and spending at the same time. He defended the $200,000 earnings ceiling for the proposed child tax

credit this way: "Do you think $500 spent by a bureaucrat is better than $500 spent by a parent? That is the core issue on the tax credit for children: Who do you think spends it better?"

A last-minute compromise that linked tax cuts to long-term deficit reduction led to House passage of the measure, 246-188. Only 27 of the 204 House Democrats voted for it, while 219 of 230 Republicans voted yes. Under terms of the legislation, the tax cuts would not take effect until Congress adopts a budget to wipe out the federal deficit by 2002.

The House bill faces an uncertain future in the Senate, where some key Republicans have said they want to see progress on eliminating the deficit before taking action on tax cuts.

The tax-cut battle will no doubt pale in comparison to the coming collision of partisan politics and special interests over balancing the federal budget. House Budget Committee Chairman John R. Kasich, R-Ohio, has promised to present in May a detailed plan to balance the federal budget in seven years, a task that would require an estimated $1 trillion in spending cuts by 2002. He has pledged to eliminate the deficit without cutting defense, touching Social Security, or raising taxes.

No group supports putting Uncle Sam's fiscal house in order more eagerly than small business. Says Cheryl Womack, president and chief executive officer of VCW Inc., a specialty insurance agency in Kansas City, Mo.: "I don't think there are any small-business owners who aren't excited about the opportunity to hold government's feet to the fire over spending."

No one doubts Kasich's devotion to his committee's mammoth task. The question remains: How will it be accomplished?

For starters, Kasich would let the budget ax fall on four departments of the federal government: Commerce, Education, Energy, and Housing and Urban Development. And he is considering a plan to convert Medicaid, the federal/state health-care program for the poor, from an entitlement to a block-grant program for the states.

Medicaid currently guarantees health coverage for anyone who meets specific criteria. Under the block-grant approach, the federal government would give states lump-sum payments and control over how the money would be spent. At the same time, the annual block grants would aim to cut the rate of Medicaid spending growth in half, down from 11.5 percent in fiscal 1993.

Free advice on reducing spending abounds. Real savings for serious-minded budget cutters, says Niskanen of the Cato Institute, can be found only in defense spending and the two largest entitlements: Medicare and Social Security. These three areas alone account for 51 percent of the federal budget.


PHOTO: T. MICHAEL KEZA

Victory in '96 *is "terribly important" for the GOP, says William Kristol.*

The acid test for Republican budget hawks "is whether they are willing to take on these big-ticket items," says Niskanen.

The Republican leadership already has flunked one test of fiscal leadership on entitlement spending, says Herbert Stein, who served as chairman of the Council of Economic Advisers under President Nixon. Now a resident fellow at the American Enterprise Institute, a public-policy research organization in Washington, Stein faults Republican leaders for not immediately embracing a report issued in mid-December by the Bipartisan Commission on Entitlement and Tax Reform.

The report warned that at current spending levels, Medicare's fund for paying the hospital bills of senior citizens will go broke in 2001. The fund is currently financed with a 2.9 percent combined employer/employee payroll tax. Without policy changes, entitlement spending and interest on the national debt would consume almost all federal revenue by 2010. (See the chart on Page 20.)

Driving these alarming trends is the inexorable aging of the nation's postwar baby-boom population.

While the commission did not reach agreement on details of a plan to bring entitlement spending into balance with revenues, it did lay out tough choices that could be made to fashion such a plan.

Republicans are not alone in avoiding the commission's report. The White House and the Democratic leadership chose the same course.

Entitlements, however, aren't the only place to shop for big budget cuts, according to economist Robert Shapiro at the Progressive Policy Institute. He has identified 89 federal spending programs and 31 tax-law provisions narrowly targeted to subsidize special interests. Reforming or eliminating these programs—branded by critics as "corporate welfare"—would produce $265 billion in savings over five years, says Shapiro.

"We should squeeze out hundreds of billions of subsidies for industries that are not justifiable on either economic or social-policy grounds," says Marshall, the institute's president. Among them, he cites farm programs and subsidies for the energy, mining, timber, transportation, aerospace, and financial-services industries.

These items pose a difficult problem for deficit hawks. At the point where budget-cutting rhetoric and political self-interest meet, the latter usually emerges triumphant. For example, Sen. John McCain, R-Ariz., recently called attention to more than $6 billion in "pork barrel" projects that were slipped into the current defense-spending bill last year. Many have no relation to defense and were not sought by the Pentagon.


PHOTO: T. MICHAEL KEZA

The '94 GOP victory *was "provisional," says Will Marshall.*

Business as usual is not the kind of message that will play well back home for either party. If the Republicans don't deliver what the voters want, the electoral pendulum that swung toward the GOP last November could swing back to the Democrats in 1996, says Stanley Greenberg, the president's pollster.

The Progressive Policy Institute's Marshall accuses both parties of failing to develop a clear vision of government's role in a post-New Deal era. Voters yearn for radical solutions, he says, but "they aren't looking for solutions that the two ideologies offer."

Liberals, Marshall says, attack government's problems by making marginal adjustments. The new Republican majority, he continues, is too eager to dismantle

government and remove it from areas where it has legitimate interests. Marshall argues it is up to New Democrats to offer the American people a third way to the future.

Writing in *New Democrat* magazine, Marshall contends that restoring the American Dream "means ruthlessly cutting unproductive federal spending that benefits special interests and investing the savings in further deficit reduction and new initiatives designed to lift the prospects of working middle-class families. Only by cutting existing programs can New Democrats find the resources necessary to invest in America's future.

"Such investments include substantial tax relief for middle-class families with children and a new 'GI Bill' for American workers intended to enable U.S. workers to prosper in the Information Age by continuously upgrading their education and skills."

David Frum, a prominent conservative and author of *Dead Right*, a critique of the Reagan Revolution, views the "new" Democrat as just a 1990s liberal. Says Frum: "The Democrats think they have the answer: spending on infrastructure and training. But the evidence is pretty strong that federal training programs don't do any good at all, and there is not a whole lot of evidence that the U.S. needs a lot more infrastructure spending.

"We [conservatives] don't take seriously" the Democrats' prescription for reinventing government, Frum continues. "The question is, do we believe in our solution: tax cuts and spending cuts?"

Perhaps the more important question is: Which approach can deliver on the promise to set the American Dream back on course?

For the moment, at least, the Republicans, led by House activists, have the upper hand. But the future is uncertain, says Thomas Mann, director of governmental studies at the Brookings Institution, a left-of-center public-policy research organization in Washington. "The beauty of [the November] election and the Republican majority is that we're going to get a clearer sense of what public preferences are toward government. And it's not obvious that the public is lined up behind the Republican agenda.

"What we're going to do in the next couple of years is see some shifting and sorting. The House action [on the Contract] is just the beginning of a long process. The agenda of government and control of our politics is very much up for grabs."

All the more reason for the Republicans to stick to their message, says strategist William Kristol. "If Republicans hang tough," he says, "I think they will be rewarded at the end of the day. I still think the greater danger to Republicans is timidity rather than going too far."

Gingrich certainly isn't timid about his idealism. The first 100 days was only the beginning, he says. "Our potential is as great and prosperous as it's ever been in our history. From now on, all roads lead forward." NB

To order a reprint of this story, see Page 75. For a fax copy, see Page 39.

Taking Care Of Business

Small-business owners have a louder voice in Washington these days, partly because there are more entrepreneurs in the House and the Senate contributing to the debate.

The 1994 elections increased the number of commerce-bred members of Congress to a 42-year high of 163 of 435 House members, up from 131 in the previous Congress, according to a recent analysis by *Congressional Quarterly* magazine. The number in the Senate remained at 24 of 100.

Entrepreneurs in Congress span the ideological spectrum, from liberal Democratic Rep. Joseph P. Kennedy II of Massachusetts, who once owned a Boston-area heating-oil company, to conservative House Majority Whip Tom DeLay of Texas, who launched a Houston pest-control business. Among them are some of the strongest advocates of a wholesale re-examination of government's scope and size. They also see themselves as uniquely positioned to help bring that about.

"We need people who have met a payroll, who know how to keep it all together," says Rep. Bill H. Zeliff Jr., a third-term Republican from New Hampshire and the owner of a Jackson, N.H., inn.

"I know what it takes to break even, and I'd like to think I know how to make a profit," says Rep. John Baldacci of Maine, one of the few freshman Democrats and the co-owner of a Bangor restaurant. "I think what I bring to the table is common sense and a need for results."

These lawmakers often chart agendas based on their personal experiences as business managers. For example, as manager of the Christmas Tree Inn, Zeliff has struggled with business taxes and complicated regulations that protect wetlands.

As a congressman, he has organized a Small Business Survival Caucus—a group of 44 members, many of whom currently run, or used to run, businesses. They support government downsizing and regulatory reforms, and they plan to evaluate bills before the 104th Congress on the basis of how they would affect companies with 50 or fewer workers.

"We need people who have met a payroll." —Rep. Bill H. Zeliff Jr.

The formation of the new caucus underscores the trend toward a greater focus on the small-business impact of legislation in Washington.

The group pushed for some specific tax-cut aspects of the Contract With America that were geared toward smaller companies, including proposals to reduce the impact of estate taxes on family-owned companies and to restore a tax deduction for the costs of maintaining a home-based office. The bill that the House passed April 5 included both provisions.

The caucus, made up largely of conservative GOP members, now hopes to push some other issues farther up the leadership's list of priorities. Among other matters, Zeliff says, the group wants the Superfund law reformed to take into account the needs of small businesses caught in the web of liability that surrounds the clean-up of toxic-waste sites.

And in light of President Clinton's request that federal agencies become more flexible in regulating smaller firms, the caucus wants to provide some practical suggestions along those lines to agencies.

But while many entrepreneurs in Congress are working to help other small-business owners, they don't always agree on how to achieve their goals. For his part, Baldacci declined to join Zeliff's conservative caucus and also voted against a recent GOP tax-cut bill, even though it included some provisions that could help small-company owners. He felt the overall size of the $189 billion, five-year tax-cut package would hamper efforts to control the budget deficit.

Nonetheless, Baldacci still wants to put in place tax incentives that would be geared toward entrepreneurs. He is currently writing legislation that would restore tax incentives for small businesses to invest in new equipment. He knows what it's like to make do with old equipment—his establishment, Mama Baldacci's, needs a new pizza oven and an ice machine.

Ultimately, the addition of these small-business owners to Congress is having—and will continue to have—an impact, Zeliff says. He adds: "It's finally gotten to the point where Congress recognizes that small businesses are the primary job creators in this country."

—*Laura M. Litvan*

MANAGING

How To Recruit A Smart Team

Here are tips to help small businesses locate —and land—the best job candidates.

By Molly Klimas

Who says you have to know it all? Perhaps entrepreneurial success is not about wearing all the hats but about hiring the best people for their specific skills or entrepreneurial mind-set. It was that way for Earline Lagueruela.

"It took me a while to realize that a successful entrepreneur is someone who assembles an exceptional team," says Lagueruela, owner of S&C Advertising and Public Relations, in San Antonio. "I used to be embarrassed that some of my employees were more knowledgeable than me until my husband said that a smart business person is one who hires a team of intelligent people. Now, I make it a habit of hiring people who are smarter than me."

Mark Gehring found he needed to surround himself with smart people, too. He was working in the late 1980s as a University of Wisconsin-Madison medical engineer when his idea for imaging software, which could predict radiation dosages, propelled him into entrepreneurship.

By 1992 he had formed Geometrics Corp., and his employee roster included physicists with doctorates as well as highly technical software engineers. Today, Gehring's Madison-based company has 10 employees—most with advanced technical degrees—and it is hiring three more key people.

Even if smaller businesses can't offer the salaries and benefits experienced employees are accustomed to, they do have some benefits big companies just can't offer.

A decade ago, small-business owners, particularly those in high-tech fields, had difficulty luring top people from big companies, says Robert Premus, professor of economics at Wright State University, in Dayton, Ohio. But as major companies continue to shrink in the aftermath of the latest recession, even seasoned and seemingly settled executives are more open to opportunities at smaller companies.

More than 60 percent of 1,000 executives surveyed last year by Exec-U-Net, a career-information resource network based in Norwalk, Conn., said that if they were to change employers, they would prefer to work in a midsize or small company rather than in a large one.

Molly Klimas is a free-lance writer in Dayton, Ohio.

PHOTO: ©BRUCE BUCHANAN

Entrepreneur *Mark Gehring, center, has found top talent; with him are Cameron Sanders, vice president for research and development, and employee Andrea Morgan.*

How do entrepreneurs like Gehring and Lagueruela find top-notch employees? And how do they persuade talented professionals to choose Main Street over Wall Street or San Antonio over the Silicon Valley?

Lagueruela, who started her advertising firm in 1976, realized in the early 1980s that her business needed an experienced advertising executive—not just a protégé or an assistant. She found such an executive in Dan Sullivan, then a senior vice president with Ogilvy & Mather, a worldwide advertising agency. Sullivan had worked for 17 years in the agency's New York City office and had recently opened its Houston site. "We used a search firm specific to advertising to find Dan," Lagueruela explains.

Indeed, search firms that are industry-specific can help you locate the best in the field and could well be worth the price, typically a figure equal to a percentage of the new hire's salary.

Alice Elliot, owner of Elliot Associates Inc., a Tarrytown, N.Y., placement firm that specializes in the hospitality industry, recently recruited Joseph Micattrotto from his post as president of Chi-Chi's Mexican Restaurants and placed him as chief executive officer with the smaller but growing Panda Management Co., in Pasadena, Calif. It operates Panda Express and Panda Inn restaurants throughout the country.

Or you can do your own recruiting. Gehring posted a job listing for a software engineer on a worldwide electronic-mail bulletin board. "We received 200 résumés—some from as far away as Israel, Germany, and Hong Kong," he says.

Gehring also advertises career opportunities with Geometrics in industry-specific trade journals. Recently he placed an ad in the job bulletin of the American Association of Physicists in Medicine.

Some employers choose to recruit through trade associations to which they belong, or to talk to potential hires at trade conventions, says Premus.

Elisse Porter, executive vice president of LesConcierges, an executive membership and concierge service based in San Francisco, lets word of mouth do the talking. "Because we do business with a number of hotel and restaurant vendors in various cities," she says, "we make a lot of contacts in the business, and networking new employees into our company happens

naturally. Also, we hold as many charitable events as possible, and the positive media coverage ups our exposure to potential hires."

Ted Bailey, president and chief executive officer of the Imagination Factory, a multimedia company in Grand Rapids, Mich., says he "cherry-picks" some of his new employees from higher education. "I teach media courses at local universities," he says, "and this affords me the opportunity to recruit some of the best up-and-comers in the visual-communications field."

If you're seeking a business mind-set more than specific skills, the place to locate that entrepreneurial spirit may be where it's just beginning to blossom—at the colleges and universities that offer programs in entrepreneurship.

About 280 schools nationwide offer courses in that field, according to the Coleman Foundation, a Chicago-based philanthropic organization devoted to self-employment, education, and awareness of entrepreneurship as a career option.

PHOTO: ©BOB DAEMMRICH

Advertising-firm owner *Earline Lagueruela used a search firm to find an experienced executive, which resulted in her hiring Dan Sullivan.*

Once you've located the top candidate for a position, how do you make an offer that he or she simply can't refuse?

1. Begin by touting distinctive opportunities. Mention that your small firm, unlike most major companies, would offer the chance to create, produce, promote, and be involved in making decisions without the reins of bureaucracy.

"Just plain participating in a project that has excitement, deadlines, hands-on opportunity is a major attraction to top people, irrespective of salary," says Geoffrey Kessler, founder of the Kessler Exchange, a small-business research and membership group in Northridge, Calif.

It was the chance to be creative again that sold Sullivan on Earline Lagueruela's firm 11 years ago. "Dan had moved up at Ogilvy & Mather to the point where he was managing people instead of creating advertising for clients," Lagueruela says.

LesConcierges' Porter sells the opportunity to "be your own boss" to potential employees. The company hires concierge professionals to operate the service at luxury high-rises in 13 cities.

Software maker Gehring stresses not just hands-on opportunity but also the chance to stay on the cutting edge professionally. "We use state-of-the-art development methods and continually stay on top of the process," he says.

2. Offer ownership if possible. "A major carrot is equity ownership in the company," says placement specialist Alice Elliot. In fact, the Society for Human Resource Management, in Alexandria, Va., says ownership in the company is one of the fastest-growing reward programs for both small and large companies.

The Imagination Factory's Bailey offers employees ownership with stock options. "It gives everyone a vested interest in our vision," he says. It's important, however, to see a tax attorney about the latest stock-option regulations.

3. Promote the environment. At Geometrics, Gehring makes sure that each new technical hire gets his or her own window office—not a walled-in cube—and an individual workstation. "By investing in high-quality office space and personal equipment, we assure much higher productivity. This is very appealing to a potential employee," he says.

And if you're located in a smaller city, all the better. "In the 1980s, people were following the money—jobs that were in big cities—but they found that the lifestyle wasn't what they thought it would be," says Jack Thompson, technical recruiter and owner of CADD Centre, a computer consulting firm in Lynchburg, Va. "In the 1990s, moving to a smaller town is a big incentive for potential hires."

And atmosphere is a quality that cannot be overlooked. "Small businesses excel in providing the type of environment workers want most, because staff members often become like family," says Kessler.

4. Tap into flextime. Some may think of flextime, which gives employees latitude in setting their working hours, as merely a way to boost productivity or retain existing employees.

One-third of small businesses use flextime for these reasons, according to a survey by the Kessler Exchange. But flextime may also be a useful recruiting tool, Kessler says. "A lot of very talented people may have other demands in life, or may not be ready to relinquish their current employment position."

Eric Wells, owner of Campus Creations, a T-shirt screening business in Urbana, Ill., offers flextime, which allows his operations manager to run a legal-deposition videotaping business on the side. "As long as the work gets done," Wells says, "we're in good shape."

5. Discuss salary and benefits. Salary is still extremely important to most people. Almost one-third of respondents to a 1994 survey by the Employee Benefit Research Institute (EBRI), in Washington, D.C., said they had turned down a job because of inadequate salary.

Arm yourself with the latest statistics in the field in which you plan to hire. Trade associations and placement firms usually publish salary comparisons. Try to offer a competitive salary.

Benefits are very important, too. A 1992 EBRI survey found that 56 percent of respondents would not accept a job without health insurance.

And a 1990 poll by Northwestern National Life Insurance Co., in Minneapolis, found that health insurance outranks pension plans, vacation, and life insurance in importance.

"Cutting back on health benefits may jeopardize a business's ability to recruit and retain the best employees," says R. Michael Conley, senior vice president of Northwestern National's employee-benefits division.

Sometimes you make a mistake and hire a person who just doesn't "click" with you and your team, but don't worry. Lagueruela quotes her husband: "If you're not making mistakes, you're not risking and growing. If you're going to be successful, you have to realize it's OK to make mistakes." NB

MANAGING

How To Head Off Termination Suits

An employment attorney offers tips for handling employee dismissals so that you minimize your chances of being sued.

By J.D. Thorne

Is it possible to fire an employee and stay out of a lawsuit? The answer is yes. The solution lies in granting a discharged employee severance pay and other considerations in return for a release of liability and a promise not to sue.

For example, a company fires a salesman who has been on the payroll for eight years. He has done nothing wrong—his attendance is good, he is honest about his expense account, and his office is as neat as a pin—but he has never really *sold* anything. He has simply administered orders from established accounts.

The employee is naturally angry about being dismissed, but because the company provides for adequate severance pay and outplacement counseling in an employee separation agreement, he is eventually thankful. He doesn't sue.

Firing an employee is difficult enough without a lawsuit. Here are suggestions for avoiding legal pitfalls when such action is necessary.

ILLUSTRATION: TONY FITCH

The Case For Discharge

Discharging an employee is one of the most disliked yet most important responsibilities of a manager. A discharge decision should seldom if ever come as a surprise to an employee. If the performance or behavior issues are long-term, then an employee should have been receiving warnings, poor evaluations, or even "coaching" or training to help overcome obstacles to job success.

Of course, in rare situations, even a single act of insubordination or dishonesty may warrant a discharge. Even with a climactic episode, though, it is best to suspend the offending employee first, investigate the incident, and then decide what to do.

Whatever the cause for dismissal, the manager should control the timing of a termination interview and plan it in detail ahead of time.

Drafting The Terms Of Separation

The best time to settle a lawsuit is before it's under way. Although a "buyout" of the employment relationship can be a bitter pill for many managers and owners, it is often the best course of action. It can be accomplished with an employee separation agreement. In return for an enforceable promise from the employee not to sue the company, the company agrees to take certain actions for the employee or waive certain rights. The agreement's terms depend entirely upon the circumstances. Sometimes, just a promise by the employer to let the employee resign is enough to effect the release-of-liability agreement. But usually more is involved.

In opening a termination interview, the manager should note the meeting's purpose: to inform the employee of the decision to end his or her services and the company's willingness to consider a termination agreement. The key point is that the employee is not negotiating the discharge but rather how the separation will occur.

The most important negotiating points are generally severance pay and continuation of health insurance. Severance pay is usually one week's salary per year of service. Some companies also pay the employee's cost of maintaining health insurance under the federal COBRA rules for a specific period or until the employee gets another job, whichever comes first.

The company can also offer to waive its right to object to any unemployment-compensation claim, and it can offer to provide an agreed-upon reference letter.

Typically, the employee is most concerned about finding another job. Thus, the best step an employer can take to help an employee being terminated and also avoid costly litigation is to offer outplacement counseling.

Outplacement services—generally priced according to the employee's salary—may include expert résumé-writing help, constructive career assessment, and interview preparation. Often, an outplacement counselor will provide motivational assistance and financial planning to ease the discharged employee's stress and help the person concentrate on making the job search successful. The advice may also help the employee to become more aware of his or her shortcomings and to turn that awareness into an advantage in the next job.

A Sample Termination Agreement

The termination agreement could be constructed along these lines:

"In return for consideration of the payment to me of [the amount of severance pay], which I acknowledge, and the provision of outplacement counseling

J.D. Thorne is an attorney with the Milwaukee law firm of Petrie & Stocking S.C., author of A Concise Guide to Successful Employment Practices *(CCH, Inc.), and a member of the Metropolitan Milwaukee Association of Commerce.*

ILLUSTRATION: TONY FITCH

services by [name of company], I, [name of employee] of [address] hereby knowingly and voluntarily waive any and all rights related to all matters connected with my employment at [company].

"I agree not to initiate any claim, demand, or cause of action, legal or otherwise, against [company], or any successor, or any assign, or any other employee, officer, board director, agent, or representative of [company]—none of whom admit any liability to me but expressly deny any liability from any such claim, demand, or cause of action."

In addition, if the person being terminated is 40 or older and thus protected by the Age Discrimination Employment Act, then, according to the Older Worker Benefit Protection Act of 1990, the person's release of liability, to be enforceable, must include language such as this:

"I further acknowledge that this voluntary waiver releases [company] of any and all claims pursuant to the Age Discrimination Employment Act.

"I acknowledge that I have been given three weeks in which to sign this general Release of Liability, that I have been notified I have seven calendar days from today's date within which to revoke it, and that I have been advised of my right to consult with an attorney concerning it."

Managers shouldn't consider such services for only "executive" employees. If the company has made a hiring mistake at any level, it is better to acknowledge it and move on. But it should also acknowledge that discharging an employee may bring with it the risk of legal expenses—regardless of whether there may be "just cause" or whether the company would likely prevail in the end.

Indeed, in many instances, employee separation agreements are worth the time, trouble, and expense. In fact, they can save a company all three. NB

TRANSPORTATION

Leasing's Link To Efficiency

This alternative to buying vehicles can be an effective way of consolidating a company's costs.

By Julie Candler

To develop and distribute hybrid corn and other agricultural products, DEKALB Genetics needs cars and trucks. Nationwide, the DeKalb, Ill., company uses 600 vehicles, including minivans for sales personnel, passenger vans for transporting workers to the fields that are DEKALB's laboratories, passenger cars for management, and about 350 trucks, most of them pickups, for delivering products to customers.

PHOTO: ©JOHN ZICH

Leased vehicles, *such as this Dodge Ram, bear heavy loads for DEKALB Genetics. Securing bags of the company's hybrid seed corn is Mike Arends, manager of the Waterman, Ill., plant.*

Julie Rautio, DEKALB's fleet manager, says the company leases most of the vehicles it uses. A key advantage of leasing, she says, is uniform pricing—a plus that a company cannot count on when it purchases its vehicles. "A few years ago, we were negotiating prices locally at a lot of different locations," she says.

DEKALB consolidates fleet administrative costs by taking advantage of maintenance services offered by the three leasing companies it deals with: Automotive Rentals, Inc., Mount Laurel, N.J.; Emkay, Inc., Itasca, Ill.; and GE Capital Fleet Services, Eden Prairie, Minn.

The leasing companies provide coupons good for routine services at participating garages. At month's end, the companies bill Rautio for the maintenance, and she sends each of them a check. Anytime she is not sure that recommended repairs are necessary, she consults with the leasing company's experts.

DEKALB is among the many companies that are finding that leasing is an effective way of managing cars and trucks efficiently and economically. For example, in a recent survey that drew responses from nearly 500 managers, the National Association of Fleet Administrators, based in Iselin, N.J., found that overall the respondents expect to lease 71 percent of the 1995 model year vehicles they acquire.

Businesses point to several advantages of leasing the vehicles they use. Doing so not only allows a company to deduct lease payments as business expenses but also eliminates paperwork related to buying and owning a vehicle. Another advantage for some lessees is the availability of nationwide maintenance services, where the fleet manager pays one bill, minimizing expense-account paperwork.

Leasing is not necessarily for everyone, of course. Owning its vehicles gives a company more flexibility in choosing them. It also allows the business to deduct depreciation and interest. And total operating costs per mile are often lower if the vehicles are owned rather than leased.

Still, leasing is a viable option for many companies. And a growing number of businesses are signing up for the extra services that leasing companies provide.

Dave Dawson, spokesman for Miami-based Ryder Commercial Leasing & Services, expects a 30 percent increase this year in the company's logistics business, in which Ryder handles trucks, drivers, warehousing, and routing—the entire distribution system. "The market is asking us to provide new, more customized services," Dawson says.

Tom Fleming, president of Aim NationaLease, based in Girard, Ohio, also notes demand. "Our dedicated-contract division, which manages trucks, drivers, and routes, is growing fastest of all," says Fleming, whose service also spares fleet managers the headaches of hiring.

Similar services are offered by Mack Leasing System, based in Allentown, Pa., now beginning its ninth year of operation. "We are concentrating efforts toward a dedicated logistics partnership," says Thomas D. Thayer, director of leasing. The system, a wholly owned subsidiary of Mack Trucks, Inc., provides full- or partial-service leases and commercial rentals of heavy-duty Mack trucks at 145 locations nationwide. The service also handles leases of midsize trucks built by other manufacturers.

The leasing services cater to companies of all sizes. For example, PHH Vehicle Management Services, based in Hunt Valley, Md., has a special market-services group that caters to fleets with up to 75 vehicles.

"A large fleet has an expert on taxes, funding, negotiating, and ordering the right services," says Buck Whitman, vice president and general manager of the

market-services unit. "A small fleet may have someone part-time managing the vehicles. . . . That's why PHH created its special segment for less than 75 vehicles."

Dundee Mills, Inc., a Griffin, Ga., manufacturer of towels, baby clothes, and other products, leases 29 passenger cars from the PHH unit. The fleet of Buick LeSabres, Oldsmobile 88s, Ford Tauruses, and Dodge Intrepids is used nationwide, chiefly by sales representatives.

"You couldn't ask for better management," says Dianne Niblett, Dundee's corporate fleet manager. "We were looking to hold costs down, and they advised us to take advantage of [available price incentives]."


PHOTO: AJOHN DOH

Forklift operator *John Harper loads a pickup, one of hundreds of vehicles leased by Illinois-based DEKALB.*

Leasing became practical and economical for MEDIQ, Inc., when the Pennsauken, N.J., company consolidated the transportation needs of nine subsidiaries, which included a mobile X-ray service and a maker of pharmaceutical containers.

"Until six years ago, each of our companies did [its] own thing," says Ron Lasman, corporate director of fleet services. "Some leased. Some owned. They essentially were running down to the dealer or calling a local leasing company and getting what was available. Then we adopted a corporate policy to umbrella everything under one lessor."

Now, MEDIQ leases 623 cars and trucks from Automotive Rentals. "The change probably saved us at least $300,000 a year," Lasman says. "We have saved a lot of staff time with the umbrella policy. We outsource everything: fuel, maintenance, accident, and reporting services."

Automotive Rentals has helped MEDIQ reduce the size of its vehicles over the past six years. Full-size vans have been substituted for midsize trucks, compact pickup trucks for full-size vans, and compact Escort station wagons for midsize vans.

"The downsizing probably saved close to $1 million over six years," Lasman says. "It has reduced our capitalized and operating costs substantially."

Leasing companies offer other efficiencies. Many provide on-line computer order processing, information, and analysis.

Lease Plan USA is adopting paperless fleet management for the cars and light trucks it leases. From the company's headquarters in Atlanta, information on maintenance goes from computer to computer via modem, or from computer to fax machine.

Thus, monthly maintenance reports from Lease Plan USA can be sent to the customer by digital imaging, by fax, or by old-fashioned paper—whatever the customer requests.

"It doesn't impact customers except for the speed and service we can give," says David Bush, senior vice president, information technology.

Some companies find it more cost-

Where To Go For Vehicle Leases

The following are some prominent truck rental and leasing companies in the United States:

Amtralease, 35 Kings Highway East, No. 203, Haddonfield, N.J. 08033; (609) 427-4477.

Ford 1st, through local Ford heavy-truck dealers; for the name of the nearest dealer, call 1-800-FORD-1ST (1-800-367-3178).

Idealease, 28W144 Industrial Ave., No. 116, Barrington, Ill. 60010; (708) 304-6000.

Mack Leasing System, 2100 Mack Blvd. (Box M), Allentown, Pa. 18105-5000; (610) 709-3595.

NationaLease, One South, 450 Summit Ave., No. 300, Oakbrook Terrace, Ill. 60181; 1-800-729-6857.

PACCAR Leasing, P.O. Box 1518, Bellevue, Wash. 98009; (206) 455-7877.

Penske Truck Leasing Co., L.P. Route 10, Green Hills, Box 563, Reading Pa. 19603-0563; 1-800-221-3040.

Rollins Leasing Corp., One Rollins Plaza, P.O. Box 1791, Wilmington, Del. 19899; 1-800-752-2677.

Ruan Transportation Management Systems, 3200 Ruan Center, 666 Grand Ave., Des Moines, Iowa 50309; (515) 245-2500.

Ryder Systems, 3600 N.W. 82nd Ave., Miami, Fla. 33166; (305) 593-3726.

The following are major companies that lease cars and light trucks for use in business fleets:

Mike Albert Leasing, 10340 Evendale Drive, Cincinnati, Ohio 45241; 1-800-886-5828.

AMI Leasing, 46 W. Boylston St., P.O. Box 986, Worcester, Mass. 01613; 1-800-468-9993.

Associates Leasing, Inc., 2312 Trinity Mills Drive, P.O. Box 115104, Carrollton, Texas 75011-5104; (214) 417-7000.

Automotive Rentals, Inc., 9000 Midlantic Drive, Mount Laurel, N.J. 08054; (609) 778-1500.

Donlen Corp., 500 Lake Cook Road, Deerfield, Ill. 60015; (708) 831-0400.

Enterprise Rent-A-Car, 600 Corporate Park Drive, St. Louis, Mo. 63105; (314) 512-5000.

GE Capital Fleet Services, 3 Capital Drive, Eden Prairie, Minn. 55344; (612) 828-1000.

Lease Plan USA, 180 Interstate North Parkway, Atlanta, Ga. 30339; (404) 933-9090.

PHH Vehicle Management Services, 307 International Circle, Hunt Valley, Md. 21030; (410) 771-1900.

USL Capital Fleet Services, 2988 Campus Drive, San Mateo, Calif. 94403; (415) 572-2000.

Wheels, Inc., 666 Garland Place, Des Plaines, Ill. 60016; (708) 699-7000.

World Omni Leasing, Commercial Division, 100 N.W. 12th Ave., Deerfield Beach, Fla. 33442; (305) 429-2200.

effective to choose "unbundling," contracting only for selected leasing services. A fleet may buy its vehicles or lease them through a finance company and buy maintenance separately.

Bearings, Inc., a distributor of fluid-power components and rubber products in Cleveland, has used PHH Vehicle Management Services since 1983 for the 1,300 cars and trucks it owns and operates nationwide.

"Rather than having a full-staff fleet department," says Michelle Lombardo, Bearings' fleet coordinator, "we have PHH manage everything. We use their fuel card for keeping track of gas charges. There's no need for drivers to get checks from headquarters for operating expenses or to wait in line for license renewals. If there's an accident, everything is taken care of with a phone call."

PHOTO: NEAL DIMARCO—BLACK STAR

Leasing became *an attractive alternative when MEDIQ, Inc., of New Jersey consolidated the transportation needs of nine subsidiaries. Here Bill Izganics, fleet administrator, rolls an adult ventilator onto a truck.*

The value to many heavy-duty truck fleets of letting a leasing company handle maintenance and other vehicle matters is explained by William K. Ilett, president of TransCorp NationaLease, in Boise, Idaho. Ilett, whose company provides full-service maintenance for heavy-duty and some midsize trucks, gives examples of regulatory headaches that must be faced by companies handling their own maintenance. "Used oil filters have to be hot-drained and crushed," Ilett says. "Oil has to be disposed of properly. Rather than deal with such problems, many companies want to outsource the total transportation service.

"A customer may say he needs trucks to deliver his product, but he doesn't want to do it all. He asks our company to provide trucks, maintenance, driver training, as well as compliance with [Department of Transportation] and environmental regulations. He may even want our company to hire the drivers under a dedicated-contract carriage arrangement, or to help with routing by combining routes or putting trucks on a double shift so [the customer needs] 10 instead of 15 trucks."

Ida-Tran Freight Systems, Inc., a Boise carrier, leases vehicles from TransCorp NationaLease; they include 40 conventional White GMC tractors, six medium Freightliner trucks, five pickups, and five vans.

Bill Miller, Ida-Tran's president and general manager, outlines the benefits of leasing:

"First, it frees us to manage customer service and the business we are in, rather than maintenance schedules. Now I can provide better service than when I was trying to maintain my own fleet. Now my dispatchers can concentrate on delivering a load in the fewest miles possible, instead of spending time trying to get a tire changed or a truck out of the shop.

"Second," says Miller, "because of government safety and environmental regulations, it became evermore expensive for us to operate a truck shop to handle maintenance. Under our full-service maintenance contract, we no longer have to conform to so many regulations because we no longer maintain a shop. There is not one mechanic on the payroll.

> "Leasing frees up capital. We have been able to have a much newer and better-maintained fleet. It has enhanced our image with our shippers."
>
> — Bill Miller, President, Ida-Tran Freight Systems

"Third, leasing frees up capital. We have been able to have a much newer and better-maintained fleet. It has enhanced our image with our shippers."

Miller's leases provide for vehicle maintenance costs for the entire five-year lease period, enabling Ida-Tran to project costs accurately. Because his vehicles are better maintained, he says, his company saves by leaving trucks in the fleet longer.

Another TransCorp NationaLease customer, Gary Multanen, president of Fiberglass Systems, Inc., in Boise, finds that the leasing company is more efficient at maintenance than his company could be. The trucks that the company leases transport Fiberglass Systems' tubs and shower stalls from its Boise factory to wholesalers in Oregon and Utah.

Multanen started out leasing older vehicles. "The first tractors we leased from Ilett's company were used, with 800,000 to 900,000 miles on them," says Multanen. "I leased on full-maintenance leases so my neck wasn't stuck out very far. Ilett always was able to provide me with nice-looking vehicles, and if something went wrong he would find a replacement for me."

As each used-vehicle lease expired and as Fiberglass Systems' fortunes continued to improve, the lessee upgraded to newer, more expensive models. Eventually, all six of its vehicles will be leased as new.

Buck Whitman of PHH Vehicle Management Services predicts that 1995 will be the biggest year ever for commercial leasing of cars and trucks. And *Automotive Fleet* magazine, a trade publication, projects continued growth of commercial leasing of trucks and cars, especially of trucks.

Meanwhile, the trend toward total fleet management, where the leasing company takes over operations such as maintenance, accident and fuel management, and registration renewal, will continue. A recent survey published by *Automotive Fleet* found that 14 percent of the combined portfolios of 11 major fleet management and leasing companies were under total fleet management. That share is expected to grow in the near future.

Whitman of PHH Vehicle Management Services sums it up: "Commercial leasing is alive and well." NB

Former turboprop operators have found that the step up to a CitationJet is an easy one.

The CitationJet is actually easier to fly. With fewer controls to handle, no props to feather, and a sensible, user-friendly cockpit. It's even FAA-certified for single-pilot operation.

The financial step is easy, too. The CitationJet is priced below the King Air B200. And it costs even less to operate than the smaller C90B. We'll guarantee it in writing.

But the advanced-technology CitationJet delivers the performance that only a jet can offer. It cruises 110 to 150 mph faster than the C90B, getting you to your destinations sooner. It climbs faster and provides greater range. And it flies nearly two miles higher, far above most traffic and weather.

Just some of the reasons why nearly 100 CitationJets are already in service worldwide, less than two years after the first one was delivered. Perhaps a CitationJet could mean a leap forward for your business, too.

The first step toward finding out is as simple as picking up the phone. Just call Roger Whyte, Vice President, Worldwide Sales, at 1-800-4-CESSNA.

CITATIONJET

Cessna
A Textron Company

MANAGING

Re-engineering Revisited

The success of radical change will be determined not just by what you do, but by how you do it.

By Michael Barrier

Seldom does a business book storm onto the best-seller lists, but two years ago, *Reengineering the Corporation* (HarperBusiness) did exactly that. Its message—that American businesses must radically transform themselves to survive—attracted hundreds of thousands of readers.

But the term "re-engineering" also became attached to some management practices—meat-ax layoffs, for instance—that didn't fit the two authors' definition. Now authors James Champy and Michael Hammer are taking steps to re-emphasize their core message.

Champy and Hammer have always been clear about what "re-engineering" means. To undertake re-engineering, Champy said in a recent interview, "you work from the outside in, by moving to the marketplace and understanding how you want to perform as a company. Then you look back into the organization to see what it is that you have to change.

"At the core of real re-engineering is a recognition that doing work in the old fragmented way—building an organization simply on departments and functions—is no longer appropriate. Such 'stovepipe thinking' is too expensive and typically leads to poor quality and poor service."

Re-engineering demands instead that businesses think in terms of processes—order fulfillment, for example—that may extend across many departments, and that they organize their work accordingly.

Although Champy and Hammer thought at first that the concept applied only to larger businesses, they subsequently acknowledged that small businesses can re-engineer, too—often more easily and thoroughly than large companies, because the layers of bureaucracy are fewer.

Now Champy and Hammer have amplified their message, this time each with his own book. Champy's *Reengineering Management* (HarperBusiness) appeared in January, and Hammer's *The Reengineering Revolution* (HarperBusiness), co-authored with Steven Stanton, was published in April.

Champy will also bring his message to a nationwide television audience May 23, when he leads a satellite seminar sponsored by the U.S. Chamber of Commerce.

PHOTO: GREG FRIEDMAN

"Let go of control," *author James Champy advises entrepreneurs thinking of re-engineering their firms.*

The new books are united in the importance they attach to the philosophical underpinnings of any re-engineering effort, although Hammer's book more nearly resembles a "cookbook" of specific re-engineering techniques. It is Champy who addresses the big questions head-on.

Successful re-engineering, he argues, requires that issues traditionally regarded as "soft"—issues of people and company culture—be handled as "hard issues, tangible issues, disciplined issues." They must be recognized, in short, as issues that are as critical to the success and survival of a company as the more commonplace "hard" issues, such as money and machinery.

Business owners and managers, Champy says, must understand that re-engineering requires changes not just in how work is organized but also within the individuals doing the work—themselves included.

Such ideas summon up thoughts of Total Quality Management, but Champy and Hammer have always drawn a distinction between re-engineering, on the one hand, and TQM, on the other. TQM is based, as Champy says, on the idea of incremental improvement, over time, with broad participation by employees. Re-engineering, by contrast, calls for more dramatic change, in a shorter time, directed from the top down.

But Champy argues in effect that, if it is to be successful, re-engineering itself must be undertaken in the spirit of TQM. The goal, in addition to reducing costs, must be to shed old habits of command and control—habits that make it increasingly difficult in a rapidly evolving economy for a company to respond quickly and effectively to its customers.

Re-engineering of that kind may be particularly hard for small businesses, Champy suggests. "The classic entrepreneur is actually one of the most hierarchical thinkers," he says. "The classic entrepreneur wants to control everything. The entrenchment of traditional managerial thought may be even greater in a small, privately run company than in a large company."

But, he believes, "the customer will drive the smaller entrepreneurial operation to move more authority and control out into the field. The customers want to talk to someone who can do something for them; so the entrepreneur is going to have to give more power and authority deeper into the line."

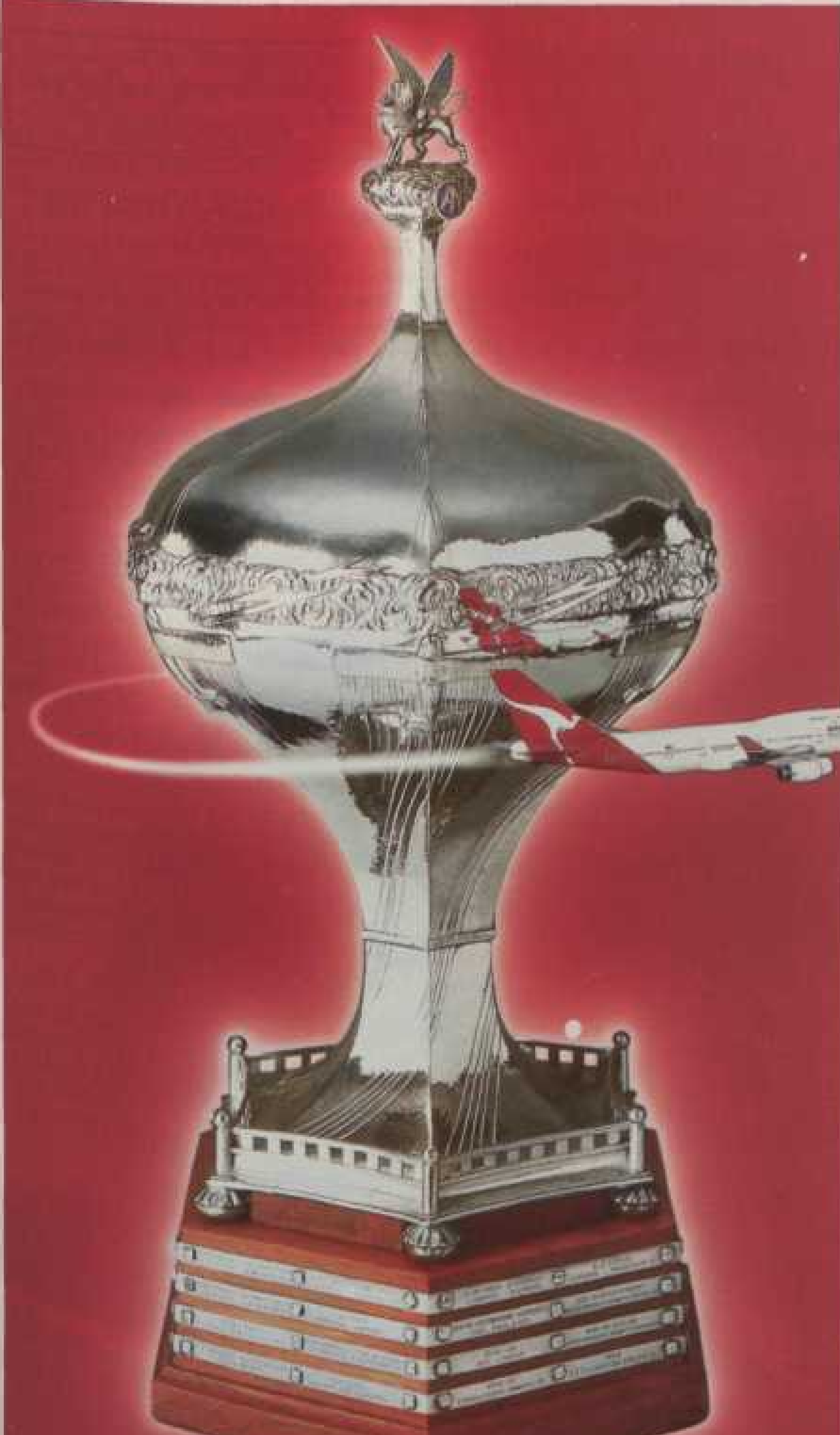
When he leads his satellite seminar, Champy says, his message to small and midsize businesses that are contemplating re-engineering will be this: "I want you to let go of control, in terms of letting other people make decisions, particularly when they affect customers. You've got to do that in order to grow. But don't lose your focus and the energy that you have in the marketplace."

For Seminar Information

To learn how you can host the Champy satellite seminar or attend at a site in your area, call the U.S. Chamber of Commerce's Quality Learning Services department at 1-800-835-4730 or (202) 463-5940.

NB

No other airline has landed this twice.



This is the coveted Cumberbatch Trophy,

awarded for "Outstanding Contributions to Air Safety." Qantas is the only airline to win this prestigious award. Twice.

Our safety record is the envy of the industry. But then, so are all of the other facets of the Qantas experience.

For example, healthy world-class meals, an exceptional wine list, in-flight entertainment on personal, in-seat video screens in First and Business Class, and to add to your comfort, the latest ergonomically designed seats.

When you fly Qantas you can also earn mileage on your choice of Alaska Airlines,

American Airlines®, British Airways, Canadian Airlines, Continental Airlines, USAir or our own frequent flyer program.*

With all of this going for us, it's no wonder we've landed so many awards for outstanding service too. Call your travel agent or Qantas at 1-800-227-4500.

*Frequent Flyer credit varies by route and by program. Check your mileage program for details. ©1995 Qantas Airways

QANTAS
THE AUSTRALIAN AIRLINE

Get The Fax

Pick up your phone.

Dial toll-free 800-597-7363.

Punch in the three-digit code for the advertiser information you select.

Enter your fax number.

Almost before you have time to hang up, your fax machine will be receiving the data you requested.

It's that simple and quick.

Nation's Business is your small-business adviser.

24 hours a day, seven days a week.

890 • MassMutual

Practical, authoritative booklet on family business succession planning basics...with insights on the financial and personal decisions that can help keep your family business where it belongs — in the family. Call today.

863 • Protect Your Personal Belongings & Assets

If your company is ever audited by the IRS, you could lose personal possessions. The Complete Book of Corporate Forms (print and disk) protects you while saving time/money. Free sample.

880 • Cessna

Call us now for details on how your company can get into a fast, efficient CitationJet — the truly cost-effective alternative to the slow speeds of propeller-driven aircraft or the hassles of airline travel.

892 • Ascom Hasler Mailing Systems

Start saving money in your firm's mail processing with efficient, economical, attractively priced mailing systems. Learn how our new postal and shipping scales will put more smarts in your mailroom. Punch 892 for more information.

860 • IBM Software Support For Personal Systems

IBM's award-winning support for Personal Systems can help enhance your productivity with Desktop Systems. Simply select the services that best meet your business needs. 24-hour telephone/electronic access to technical specialists — and much more.

877 • Warren, Gorham & Lamont

Essential Facts from Warren, Gorham & Lamont. Finally, a practical way to comply with today's ever-increasing laws and regulations. Call today for instant information on how *Essential Facts* can make a money and time-saving difference to your business.

858 • Royal Copystar

Copystar and Royal Copystar compact, desktop and high-volume systems are supported by a nationwide network of skilled sales and service personnel. From the world's third-largest copier manufacturer. Call today.

861 • Budget Rent-A-Car CorpRate® Program

Start saving money today with the Budget CorpRate® program designed to manage company travel efficiently. Our multi-tiered pricing structure enables customers to design programs that meet their specific rental needs.

862 • National Motorcoach Network

Looking for quality ground transportation? Call the experts, the National Motorcoach Network, serving 100s of cities in 44 states with over 2,000 modern motorcoaches. Call today for your free Network Directory and Pre-Booking Checklist.

881 • American Life Insurance

Help your employees provide for their future with an American Life 401(k) Pension Plan. Fourteen investment options; unlimited allocations; no commissions, transfer charges or withdrawal fees.

874 • For Manufacturers Only!

Accurate job costing is critical to your pricing strategy — and to your profitability. The IBM Manufacturers Support Group has a "Hot Topic" fax about key success factors in automating a system to give you greater control over costs.

864 • Quotesmith Corporation

Provides free insurance price comparisons for consumers and business owners on rates and coverages of 400+ leading insurance companies. Reports for individual term life, tax-deferred annuities, medical, long-term care and Medicare supplement.

859 • IBM Support Family Of Services

For software support of networking, midrange and large IBM systems, rely on the IBM Support Family of Services. Our technical support is easy to use and helps you maximize the full potential of your system. Satisfaction guaranteed or your money back. Call today.

872 • IBM PC Server

You should choose a network server as if your business depended upon it. Because it does. That's why IBM built an affordable yet reliable PC Server for small business. Call for more information.

865 • MarketFAX

If you are requesting information from any of the advertisers on this page — you are using interactive fax technology or fax on demand. Is this exciting technology right for your business? Find out — call today.

867 • Connecticut Mutual

From The Blue Chip Company: Panorama®* Variable Annuity. Connecticut Mutual's tax-deferred retirement vehicle continues to impress the country's most knowledgeable independent sources. Call today. (*National Distributor: G.R. Phelps & Co., Inc., a subsidiary of Connecticut Mutual.)

887 • The Blue Chip Enterprise Initiative Award

Call for a free application kit and guidelines to help you participate in this nationally recognized small-business award and information-sharing program. Benefits to businesses selected include publicity support and coverage in the Initiative's case history book and video library.

868 • Pitney Bowes

Considering the recent postal rate increase, it's important to keep mail processing cost-efficient. Call and discover how you can avoid "over-posting" expenses with our postal meters and scales.

Nation'sBusiness

The Small Business Adviser

FINANCE

Bankruptcy: 1990s Style

Revisions in federal laws make it easier and faster for businesses and individuals to settle up.

By Joan C. Szabo

Declaring bankruptcy is never a walk in the park. But a bankruptcy-reform law enacted late last year promises to improve the process for both debtors and creditors.

The new statute—the Bankruptcy Reform Act of 1994, signed into law last October—represents the first comprehensive revision of the bankruptcy code in 16 years. The reform act amends more than 45 sections of the code.

The changes include key revisions in Chapter 11, a section that regulates business bankruptcies, and in Chapters 7 and 13, which govern bankruptcies declared by individuals. (For details, see the box on Page 39.)

"Overall, the changes will speed up the bankruptcy process for small businesses, strengthen creditors' rights, and allow more individuals to reorganize their debt, rather than forcing them to sell assets to satisfy creditors," says Michael C. Runde, chairman of the Bankruptcy, Insolvency and Creditor's Rights Section at the Milwaukee law firm of Davis & Kuelthau.

Bankruptcy filings have more than doubled since 1978, when the last major overhaul of the code was completed.

About 94 percent of bankruptcy filings each year are made by individuals, and the remaining 6 percent by businesses, says Samuel J. Gerdano, executive director of the American Bankruptcy Institute. The ABI, based in Alexandria, Va., is a nonpartisan research organization that focuses on insolvency.

While the bankruptcy-code amendments cover a wide range of matters, the changes most important to small companies include the following:

A Fast Track For Small Firms

One of the most significant changes, says Runde, is the creation of a "fast-track" procedure for small-business bankruptcy filings under Chapter 11.

In the past, the law treated all Chapter 11 reorganizations alike regardless of a company's size. Now, under the fast-track option, the court can order that a creditors' committee not be appointed, a change that should trim the time and expenses of going through bankruptcy.

When a creditors' committee is formed, it usually is drawn from among the bankrupt company's 20 largest unsecured creditors. Such panels typically hire a lawyer and other professionals to look after the creditors' needs. The debtor is required to pay the committee's professional expenses plus his or her own legal fees and other costs.

Elimination of this process means that "the amount of time it takes to go through bankruptcy and the cost for small debtors will be considerably reduced," says Joel Lewittes, co-chairman of the bankruptcy department for the New York law firm of Parker Chapin Flattau & Klimpl.

Another benefit of the fast-track option is that it may improve the company's chances of survival by enabling it to reorganize and remain in business, says Jeffrey W. Kelley, a bankruptcy expert and a partner in the Atlanta law firm of Powell, Goldstein, Frazer & Murphy. "Previously, Chapter 11 was so complicated and expensive that small firms couldn't afford to go bankrupt," he notes. "As a result, all the assets were sold, and the business didn't survive."

The fast-track option is available to small firms—except those in real estate—if their secured and unsecured debts amount to less than $2 million. A secured claim is one in which the creditor has collateral, or a lien, securing payment of the claimed amount. An unsecured claim is one in which the creditor has no collateral and that is not in a priority category to receive payment.

How Fast-Track Works

A company selecting the fast-track option has the exclusive right to file a bankruptcy reorganization plan within 100 days of the date of the bankruptcy filing instead of 120 days, as the time limit had been. The plan contains the terms of the repayment promises by the debtor. All plans must be filed within 160 days of the date of bankruptcy filing. (In Chapter 11 cases, creditors have the right to file a plan as well. The additional 60-day period is for creditors who want to file a plan.)

One drawback of the change, say experts, is that the fast-track option is voluntary for the debtor. Situations could arise, says Gerdano, in which "lawyers begin to advise clients not to elect the fast-track option because it will push them through the process too quickly. If you are using Chapter 11 as a device to stave off creditors and you don't have a plausible shot at reorganizing, then you won't select the fast track."

A Real-Estate Provision

Also affecting small companies is a change relating to circumstances in which a single parcel of real estate is owned as an investment by an individual, a partnership, or a corporation. The real estate could be an office building, for example, or

PHOTO: T. MICHAEL KEZA

If the end is in sight, *the recent bankruptcy-code revisions could help you save the business.*

an apartment project or a shopping center; it would be property generating substantially all the gross income of the debtor.

Under the new provision, a holder of so-called single-asset real estate—provided that the secured debt on the property is no more than $4 million—can still use Chapter 11. Within 90 days after filing for bankruptcy, however, the debtor must either file a plan of reorganization or start making monthly interest payments at the current market rate to the creditor holding the mortgage on the property. If the debtor fails to file the plan or begin making payments, the lender can foreclose on the property.

In the past, no special provisions applied to a debtor whose assets consisted of a single parcel of property. As a result, mortgage holders were often left waiting until bankruptcy proceedings were completed before they received payment.

> **More is needed "to correct what doesn't work."**
> —Samuel J. Gerdano, American Bankruptcy Institute

Changes For Individuals

The new law also encourages individual debtors to work out repayment plans under Chapter 13 rather than liquidate their assets and "discharge" debts through the use of Chapter 7.

Discharging debt is the court-ordered elimination of unpaid debts so that an individual debtor receives a new financial start. Under Chapter 7, creditors often are not paid what they are owed.

Under the law before it was amended last year, individuals were permitted to use Chapter 13 only if their unsecured debt did not exceed $100,000 and their secured debt did not total more than $350,000. Now the debt ceilings for reorganizing under Chapter 13 have been raised to $250,000 of unsecured debt and $750,000 of secured debt.

The dollar limits will be adjusted automatically every three years to account for inflation.

Creditors Gain Some Benefits

The bankruptcy-reform law also strengthens the ability of creditors to recover goods they have sold to insolvent businesses or individuals.

Previously, a seller could reclaim merchandise from an insolvent debtor only by making the request within 10 days after the debtor received it.

The new law retains the 10-day deadline but gives the seller 10 more days to request the goods if the original deadline occurs after the bankruptcy case starts.

Apart from putting numerous bankruptcy-code changes in place, the new law also calls for efforts to consider further modifications. The reform measure proposes a nine-member commission to study additional problems with the code and recommend more changes.

Gerdano says the commission itself may be one of the most important changes in the new law. "Additional recommendations are still needed to correct what doesn't work anymore," he says.

For now, however, bankruptcy attorneys say the recently enacted changes are a step in the right direction. NB

Which Chapter Is For You?

If your company is approaching insolvency, it may help to know more about the various bankruptcy options that are available to you.

Here are brief descriptions of three key forms of bankruptcy:

Chapter 7

Individuals, sole proprietors, and corporations can use this provision to liquidate assets and get out of debt. It requires the sale of certain assets to satisfy the claims of creditors.

"Chapter 7 may be right for you if you have little property and are not concerned with saving a large asset, such as a house, from creditors," says Alice Griffin, author of *Personal Bankruptcy, What You Should Know*, a 141-page book from Cakewalk Press, New York.

Chapter 11

Business people use this option to reorganize a company and continue to operate it. A major reason for reorganization via Chapter 11 is that the value of the business in operation is greater than the value of its assets if they were to be sold.

Chapter 13

This method may be right for you if you have steady employment, including income from an unincorporated business, and you want to keep a valuable asset, such as your home, says Griffin. Under Chapter 13, debtors repay creditors in installments over three to five years. During that time, creditors may not start or continue collection efforts. The new law raises the debt limit in Chapter 13 to $1 million from $450,000.

On the other hand, we've come up with **more effective** ways to get **more** for your money.

All over the world, companies are making sacrifices to stay competitive. They're looking for products that not only deliver exceptional performance, but exceptional value, as well. That's the essence of Genuine Chevrolet. Chevy has introduced more new cars and trucks than any other manufacturer in the past year, and each one has been thoughtfully engineered to keep your employees comfortable and your company profitable. Lumina, Monte Carlo, Blazer, and coming soon, the new Cavalier. All vehicles that offer much more than just "basic" transportation. To find out more, call us at 1-800-FLEET-OPS (353-3867).

Cavalier LS Sedan

Lumina Sedan

Corsica Sedan

Astro Cargo Van

GENUINE CHEVROLET™

WORK FORCE

Brushing Up On Customer TLC

Companies are finding inexpensive ways to improve their employees' service skills.

By Joan C. Szabo

When the Beadazzled bead store opened last fall in a major shopping mall in McLean, Va., manager Pattiann Wilson didn't have to go far to arrange customer-service training for her new staff. The mall's management company provides on-site training as part of each merchant's leasing arrangement.

Employees of all 230 retail tenants at Tysons Corner Center are eligible for twice-a-month classes designed to improve customer service at stores in the mall, says Lisa Wilson, the shopping center's marketing coordinator.

The 90-minute classes, begun in 1990, are part of a Tysons Corner Center program, Creating Advantages Through Service (CATS), set up to increase sales throughout the mall by elevating the level of customer service. Classes are conducted for about 30 people at a time; some sessions are for sales personnel, others are for store managers.

Beadazzled, say training experts, is like countless small firms looking for affordable help with customer-service training. Company managers are more aware than ever that quality service encourages sales and repeat business, says Jon Anton, executive director of Purdue University's Center for Customer-Driven Quality, in West Lafayette, Ind. In addition, he says, "it is important to understand the total value that a customer has for your company."

Wilson of Beadazzled says that as a result of the training classes provided by Tysons Corner Center, her sales staff is "better equipped to offer customers assistance and provide the information customers need to make a purchase." The success of the shop depends on salesclerks' ability to answer questions knowledgeably about how to select colorful beads and clasps to make original jewelry.

Marya Breznay, a customer-service instructor in the Tysons Center program and president of her consulting firm, the Service Excellence Group, in Arlington, Va., recommends ways to greet customers, initiate conversation, and determine a customer's merchandise needs.

In her instruction sessions with sales personnel, Breznay encourages them to make customers feel that they come first. Avoid phrases such as "May I help you?" They typically produce the response: "No, I am just looking," and thus they can discourage a potential sale. A more effective approach is to say "hello" and talk about some of the new merchandise available in the store. Above all, she says, sales personnel should not disappear to do paperwork or stock the shelves.

PHOTO: T. MICHAEL KEZA

Behind the counter *at the Beadazzled shop, Pattiann Wilson, left, the store's manager, and sales associate Abby Kern help a customer select beads for an original jewelry creation.*

When a salesclerk is waiting on a customer, it is a good idea to make eye contact with others entering the store or waiting to be helped, Breznay says. "Always communicate with customers," she says, and, if necessary, "tell them that another customer needs help, and you will be right back." Satisfying the customer's needs is a primary objective.

After employees complete the training, a secret shopper employed by Tysons visits the merchant to measure the store's level of customer service. Afterward, those employees who have demonstrated excellent service, as judged by the secret shopper, receive a $25 gift certificate to any store in the mall.

Depending on a company's needs, other types of training may be more suitable than classes. Firms that deal with customers by phone may require one type of training, for instance, while restaurants may find yet another approach more useful. Following are some examples:

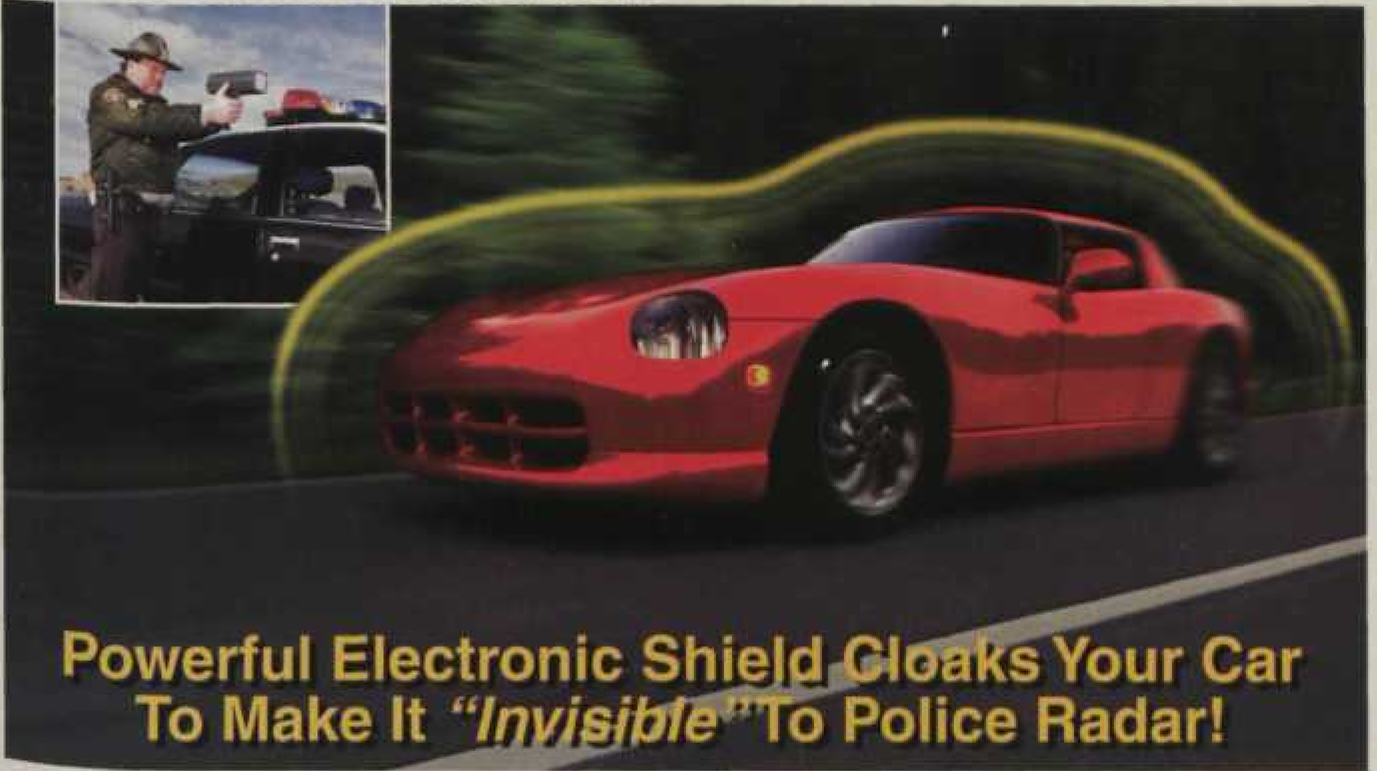
Telephone Tactics

To train his 12 customer-service representatives to deliver quality service and deal with customers, sales and marketing executive Phil Lanctot Jr. of NRI Data Products, in Morrisville, Pa., uses videos.

A family-owned company, NRI sells computers and related products such as diskettes and software to other businesses. The company has 35 employees and annual sales of $10 million. All orders for the firm's products are phoned in to customer-service representatives. "The reps make it happen, and they have to be sure that the customers get exactly what they need," Lanctot explains. "Because 95 percent of our business is repeat business, excellent service is a must."

Maintaining quality service is a challenge because, as a product distributor, NRI often must deal with mix-ups and mistakes caused by other companies. To

MIRAGE™ 7000
NEWEST RADAR TECHNOLOGY:



SPACE AGE ELECTRONIC RADAR SCRAMBLER PROTECTS YOU FROM POLICE RADAR UP TO 15 SECONDS SOONER THAN THE MOST EXPENSIVE RADAR DETECTORS!

USE THIS DEVICE TO PREVENT POLICE RADAR FROM "LOCKING - ON" TO YOUR CAR. AND, IT'S 100% LEGAL!

The **MIRAGE 7000** advanced circuitry intercepts all Police Radar, including pulsed radar and the newest *"instant-on"* guns used in *"speed traps."* It *zaps out* Police Radar readings with its powerful signals. And it operates within FCC guidelines, making it 100% legal.

OUR GUARANTEE !

Try the **MIRAGE 7000** in your car for thirty days. It will defeat all types of Police Radar. If you are not absolutely satisfied with its unique capabilities, and the increased protection that you receive from it, return it for a full refund.

Drivers are urged to abide by posted speed limits and local laws. The **MIRAGE 7000** is recommended for protection against improperly calibrated radar guns and unscrupulous law enforcement only. Both occur in rare instances.

Introducing the **MIRAGE 7000**, a State-Of-The-Art device that uses Electronic *"Cloaking Technology"* similar to technology used by the U.S. Military in the Gulf War that made our fighter planes *"invisible."* It is easy to install and it will protect you if you unwittingly exceed posted speed limits.

The unique design of the **MIRAGE 7000** enables it to *outperform previous scrambler technology*. In controlled tests, the **MIRAGE 7000** proved an average of **400% more powerful than older models** and **900% better against Ka radar** that requires the fastest response time. The **MIRAGE 7000** is built with *24 Carat Gold Plated component circuitry* to provide you with the most sensitive *"radar receive signal"* obtainable.

Simply plug the **MIRAGE 7000** and your radar detector into the *"Duo-Connector"™ (included)* and insert the connector into your car's cigarette lighter. Its that easy. The **MIRAGE 7000** will go to work for you instantly. It will *jam Police Radar* and give you *up to 15 crucial seconds* of additional protection, ample time to slow down.

MIRAGE 7000 Complete with windshield mounting bracket, power cords, *"Duo-Connector"™* and a 30-month extended factory warranty. ***Only*** **— $249** ($9 S&H)

ORDER TOLL-FREE

1-800-688-1200

Please mention Special Offer # X501

Or send a check or money order to —

Advanced Radar Technologies

3355 Lenox Road, Suite 750
Special Offer # X501
Atlanta, GA 30326 U.S.A.

help service representatives handle customer complaints effectively, Lanctot recently bought a 25-minute video, "Complaints and the Customer," produced by Video Arts. Based in Chicago, Video Arts is a training-video company established by actor and comedian John Cleese and several partners.

Says Lanctot: "The key messages in the video for our people were listen, sympathize, ask the right questions, agree on a course of action, and check to see if it is carried out. By following these steps, our customers know we intend to correct the problem."

The customer's biggest fear is that nothing will be done to correct the situation, Lanctot says. In effect, he says, telephone service training can make or break a company.

Says Nancy Friedman, president of Telephone "Doctor," a training company in St. Louis: "If customers are handled poorly on the phone, a business owner may never hear from them again." She advises employers to make sure employees answer calls in a helpful, friendly, and courteous way. (For a list of resources, see the box below.)

PHOTO: ©SAL DIMARCO—BLACK STAR

Customer-service rep *Karen Modes confers with NRI Data Products' Phil Lanctot Jr., right, vice president, and account executive Bryan Aten.*

Table Manners

To help train the waiters and waitresses at his Fairmont, W.Va., restaurant, Muriale's, so that service is their top concern, owner Rocco Muriale uses television. Each week, at the end of a shift, seven or eight servers among the company's 70 full-time workers watch a training program in one of the restaurant's private rooms. The programs are produced by Hospitality Television (HTV), a satellite TV channel based in Louisville, Ky. HTV transmits to more than 600 restaurants and hotels across the country.

Subscribers to the service—mainly restaurant and hotel owners and managers—receive schedules showing when specific training programs will be broadcast, so they can plan to have their employees watch the shows. Recent offerings included "Seven Deadly Server Sins," "Positively Outrageous Service," and "Do You Really Know How To Talk To People?"

Some of the "sins" that servers are told to avoid include making the guest wait for anything, making a bad first impression, demonstrating ignorance of the menu, and "auctioning" food at the table by asking such questions as "Who gets the salad?"

The $192 monthly subscription fee covers five hours of programming four days a week. Most programs run 30 minutes. Access to a satellite receiver is required to view the programming.

No matter what method small firms use to train their workers, business owners should make a company-wide commitment to continuous customer-service improvement. Once the commitment is made, designate an employee to be responsible for customer-service training, and assign other staff members to help organize the company's training efforts.

An effective training method for small firms with limited resources is to set aside time each week to discuss ways to improve customer service. Training videos and books can help stimulate discussion, says Purdue University's Anton.

Workers should be encouraged to jot down specific customer-service improvements they intend to try in the coming week. At the following meeting, they should talk about how the efforts were received. "It is important to let employees discover for themselves what works. Then they feel part of the process," says Ann Boland, general manager of U.S. operations for Video Arts.

Customer-service training doesn't have to be expensive to be effective, adds Friedman, and good service will surely help increase sales. NB

To order a reprint of this story, see Page 75. For a fax copy, see Page 39.

Resources On Customer Service

The following resources are designed to help companies with their customer-service training:

■ Materials from training-company executive Nancy Friedman of St. Louis include "Telephone Skills from A to Z," a 102-page book offering a host of ways to improve phone etiquette and service. Published by Crisp Publications, Inc., Menlo Park, Calif., it sells for $10.

Friedman also has developed a series of audio and video tapes available from her firm, Telephone "Doctor." An hour-long, two-cassette audio program, "How to Manage Your Telephone for Bigger Profits," sells for $39.95. A 27-minute video, "Voice Mail—Curse or Cure?" is $645, and a 10-minute video, "How to Handle the Irate Caller," is $395. To order, call 1-800-882-9911.

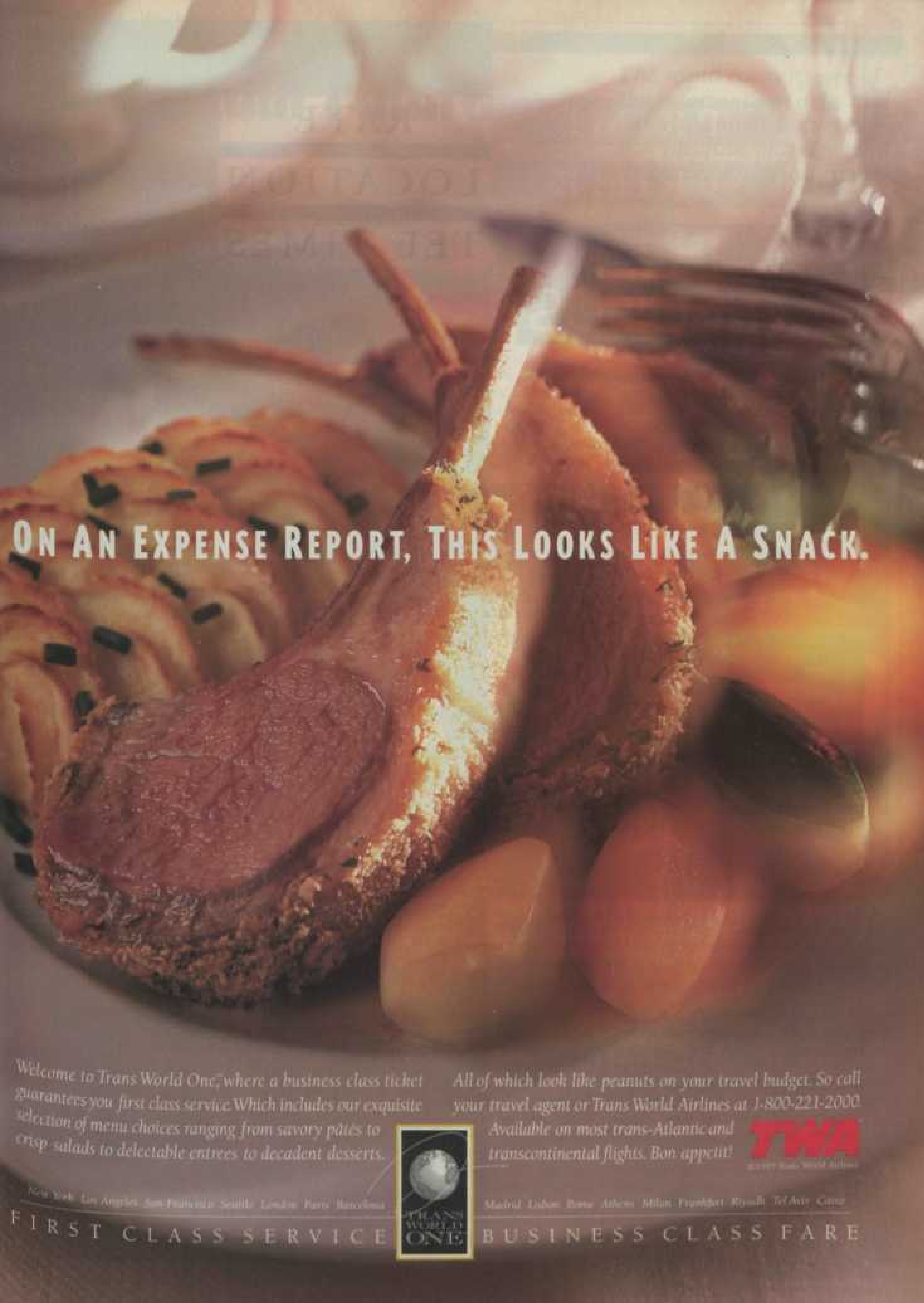
■ "Customer Service or Else," with training expert Peter Glen, is a 60-minute video that explains how good service, great service, and bad service can affect customers.

The video was prepared by Enterprise Media Inc., 91 Harvey St., Cambridge, Mass. 02140. It comes with a written training guide, and the package costs $795. To order, call 1-800-423-6021.

■ "No Complaints" is a two-part video series. Each part runs 25 minutes and comes with written guides. The first video, "Complaints and the Customer," covers how to cope with complaining customers and how to defuse potentially explosive situations. The second video, "Complaints and Quality Management," looks at complaints in a positive way as part of the quality process.

Each video can be purchased for $870 or rented for up to five days for $250. The program was prepared by Video Arts, 8614 W. Catalpa Ave., Chicago, Ill. 60656. To order, call 1-800-553-0091, Ext. 313.


ON AN EXPENSE REPORT, THIS LOOKS CRAMPED.
Welcome to Trans World One, where a business class ticket guarantees you first class service. Which includes our custom-made, reclining seats in our spacious, completely redesigned front cabin. All of which should fit rather snugly into your travel budget. So call your travel agent or Trans World Airlines at 1-800-221-2000. Available on most trans-Atlantic and transcontinental flights. Enjoy!
TWA
New York Los Angeles San Francisco Seattle London Paris Barcelona Madrid Lisbon Rome Athens Milan Frankfurt Riyadh Tel Aviv Cairo
TRANS WORLD ONE
FIRST CLASS SERVICE BUSINESS CLASS FARE



ON AN EXPENSE REPORT, THIS LOOKS LIKE A SNACK.
Welcome to Trans World One, where a business class ticket guarantees you first class service. Which includes our exquisite selection of menu choices ranging from savory pâtés to crisp salads to delectable entrees to decadent desserts.
All of which look like peanuts on your travel budget. So call your travel agent or Trans World Airlines at 1-800-221-2000.
Available on most trans-Atlantic and transcontinental flights. Bon appetit!
TWA
Madrid Lisbon Rome Athens Milan Frankfurt Riyadh Tel Aviv Cairo
FIRST CLASS SERVICE
TRANS WORLD ONE
BUSINESS CLASS FARE

The Virtual Future

The rapid convergence of the information, arts, and entertainment industries can improve management and sales for small firms.

By Albert G. Holzinger

ENTERPRISE 2000

Near the village of Rutherford, at the heart of California's Napa Valley, a majestic redwood barn stands watch over a 35-acre vineyard. The century-old, two-story structure is the centerpiece of Frog's Leap Winery, where the grapes are tended with love—but without chemical fertilizers or pesticides—by the close-knit staff of winery owners John and Julie Williams.

This pastoral setting, the tradition-steeped nature of the winemaking business, and the organic approach to viniculture adopted by the Williams family suggest that the business practices at Frog's Leap are more old-fashioned than the 14-year-old winery's age would indicate.

Nothing, however, could be further from the truth.

While some methods employed by winemaker John are, indeed, thousands of years old, the financial-management, promotion, and sales techniques of marketing director Julie are state-of-the-art.

About half of the 20 employees of Frog's Leap are regular users of the company's personal-computer network and its telecommunications link to the networks of some of the winery's business partners.

Employees use the high-tech tools to perform tasks ranging from accounting to tracking sales of about 50,000 cases of Sauvignon Blanc, Zinfandel, Cabernet Sauvignon, Chardonnay, and Merlot wines "down to the last bottle, to the last retailer, to the last salesperson," says Julie Williams.

Moreover, the Williamses envision using the fast-growing global web of computer networks now known as the Internet to reach customers across the United States, Asia, and Europe.

If all goes as planned, Frog's Leap wine will be available for purchase soon behind an electronic storefront, named Virtual Vineyards by owner-operator Peter Granoff of Los Altos, Calif. This on-line marketplace is located on a graphical subnetwork of the Internet known as the World Wide Web, or the WWW.

The Williamses also may forge a relationship with a local company named Napa Valley Virtual Visit. The firm maintains a WWW database not only of selected area wines and wineries but also of Napa Valley restaurants, lodging facilities, special events, and tourist attractions such as the Frog's Leap barn.

"When we examined the cost of marketing our products and promoting the winery, we felt we needed to look into ethereal areas such as the Internet," explains Julie Williams. "We can't possibly afford to distribute detailed, printed information about Frog's Leap to our 20,000 customers, but we certainly can afford to put it on line."

Improved management and increased sales are two key benefits that could accrue to the owners of small companies as a result not only of advances in information technology but also the convergence of the communications, information, and entertainment industries.

This consolidation, which could be substantially complete as early as the year 2000, will provide entrepreneurs, their employees, and their customers with affordable access to vast quantities of information in text, audio, video, and other formats.

In the coming years, Americans will be able to instantaneously receive, display, process, store, and even retransmit the diverse data. They will do so using devices ranging from next-generation wired and cellular telephones, radios, and televisions to advanced fax machines, pagers, desktop and portable computers, hand-held information appliances known as digital assistants, and high-tech devices still to be invented.

The winemaker's art *and the computer's capabilities intersect at Frog's Leap Winery, co-owner Julie Williams, center, conferring with employees Mary Stornetta and Andrea Bryan, can track the product "down to the last bottle, to the last retailer."*

The seamless but devilishly complex web linking the communications instruments will be spun from fiber-optic, copper, coaxial, and other cables and augmented by cellular, satellite, and other wireless-communications signals. The envisioned network is referred to as the national information infrastructure (NII), or the information superhighway.

From the small-business perspective, the potential of this pervasive network of networks and the myriad devices con-

nected to it is immense. The ways in which the futuristic communications scheme may help small companies bridge the resource gap separating them from larger competitors are far too numerous to detail. Here are a few of the most promising:

Mobilizing The Work Force

Many small companies will slash overhead by allowing some or all employees to work at home or in remote locations where costs are low. The far-flung employees will be able to maintain video as well as voice contact with colleagues and customers at the principal business location.

Moreover, emerging wireless-communication devices will enable off-site employees to instantaneously access and update inventory, price, financial, and other computerized business data.

"The work force ... will become infinitely more mobile when people no longer are tethered to wire lines," says Ford C. Greene, chief operating officer of North American Wireless Inc., in Vienna, Va. "Wireless communications will free people to work from a variety of places that are currently impractical, including the beach," he adds.

Greene's company is involved in development and deployment of an advanced, digital wireless-communications system known as Personal Communications Services, or PCS.

Business's Plans For Using Communications Technology

Type Of Technology	Companies Now Using It	Companies Planning To Use It By 2000
Electronic Mail	39%	81%
Employee Interactive Education And Training	32%	75%
CD-ROM Access To Publications	28%	77%
Videoconferencing	15%	57%
Electronic Marketing	10%	44%

SOURCES: U.S. CHAMBER OF COMMERCE AND ERNST & YOUNG

Improving Ties To Business Partners

The NII will facilitate automated ordering among cooperating businesses. Also commonplace will be instantaneous, secure transfers of funds and sharing of intelligence and other information important to the participating companies.

Furthermore, engineers and managers at partnering companies will use the audiovisual and data links made possible by the NII to improve and speed up product design and manufacturing.

Says Neil Selvin, president and chief executive officer of Global Village Communication Inc.: "Small businesses already get excited when we ask them, 'How would you like to communicate with suppliers . . . as easily as you send [electronic] mail around your office?'" Selvin's firm, in Sunnyvale, Calif., markets communications products and services to entrepreneurs who want a presence on the Internet.

Reaching Out To Customers

Small companies will gain lucrative promotion and sales opportunities well beyond today's Internet marketing once most American homes are equipped to send and receive audio, video, and data. For example, home shoppers will be able to admire themselves on television "modeling" selected products of on-line retailers of clothing or other products.

Achieving these advances may be relatively inexpensive, as thousands of current and start-up companies compete intensely for shares of the more than $1-trillion-a-year communications business.

"If the trend toward decontrol keeps going . . . there will be a lot more players in the communications marketplace," notes John Vette, a director of the Telecommunications Industry Association, in Arlington, Va. Its members are vendors of telecommunications products and services. "The small-business user and the consumer will ultimately benefit from the sheer fact . . . that there is competition," he says.

Rewriting The Rules For Communicating

The promise of the national information infrastructure cannot be fully realized unless Congress lifts controls on the broad communications industry, says Sen. Larry Pressler, R-S.D., principal sponsor of legislation to eliminate those barriers.

Competition in the industry is limited now by numerous federal, state, and local statutes and regulations as well as by a 1984 federal court decision to break up the telephone monopoly.

Pressler, chairman of the Senate Commerce, Science, and Transportation Committee, maintains that "it is competition, not regulation, that will bring new and innovative communications, information, and entertainment services to Americans at reasonable cost."

Pressler's legislation, the Telecommunications Competition and Deregulation Act of 1995, would help break down many government barriers that preclude local telephone companies, long-distance carriers, and cable and broadcast television companies from battling on equal footing for one another's customers.

"If we can pass this bill," he says, "I think it will be like the Oklahoma land rush: There will be an explosion of new investment, services, and devices as people race to compete."

Many Democrats in Congress also support deregulation, but they have differed with Pressler and other key Republicans on several specifics, most notably how to allow local and long-distance companies into each other's markets. These differences were great enough to kill a deregulation bill last year, and they could prevent passage of legislation again this year. However, a compromise forged recently by Pressler and Sen. Ernest F. Hollings, D-S.C., improved the bill's prospects immeasurably.

Republicans favored allowing the seven regional Bell operating companies (which provide almost all local telephone service), long-distance carriers, and cable-television operators to enter one another's markets within three years.

Democrats, led by Hollings, the ranking minority member of the Commerce Committee, did not wish to allow the Bell operating companies to enter the long-distance market or manufacture telecommunications equipment until they proved to the federal government that they had opened themselves to local-calling competition.

The compromise will permit the Bell companies to get into the long-distance business when the Federal Communications Commission certifies that they have completed a "competitive checklist" of steps that will pave the way for other companies to connect with the Bells' local phone networks.

Greene of North American Wireless concurs: "Providers have figured out that, with corporate America downsizing, small businesses and individuals are the market. Products and services are going to have to be priced to appeal to these people."

With so much at stake, it is critical that the information superhighway meet the diverse needs of the American business community, says Jody Olmer, director and special counsel of domestic policy for the U.S. Chamber of Commerce. Like it or not, she says, "all businesses are becoming information-technology companies through their use of or dependence on communications products and services."

Last year, Olmer helped the Chamber form a broad-based task force to recommend positions for building an NII of maximum benefit to U.S. business. "The basic premise of the task force," she says, "is that current and potential business users are underrepresented in the ongoing communications-infrastructure debate."

The task force surveyed 6,500 diverse companies nationwide, and it found that business overwhelmingly wants the NII to be affordable, reliable, easy to use, and secure from electronic theft of proprietary material. Approximately 1,600 respondents to the survey said they plan to use the NII in coming years to send electronic mail, train employees, access published information, conduct videoconferences, and market electronically.

Why might small companies at least begin exploring such uses of electronic networks if they are not using them already? The potential for such systems is vast. Take electronic marketing, for example. Its prospects can be assessed by examining today's Internet.

The Internet was launched 25 years ago by the U.S. Defense Department to link government and university computer networks. It now has about 25 million users in the business, consumer, government, and academic sectors and is growing by about 160,000 users a month.

However, large audience numbers are not the sole reason the "Net" is an increasingly popular marketing vehicle. Among the findings of a survey conducted recently by a leading national Internet access provider, O'Reilly & Associates Inc. of Sebastopol, Calif., 71 percent of users are in a prime consumer age bracket—25 to 45—and 67 percent have household incomes over $50,000.

Young, affluent people are apt to buy homes. So it is no wonder Paul Heltzel, operations manager at Heltzel Mortgage Corp., in Manassas, Va., reports that acceptance of the firm's on-line offerings "has been really good."

The small, family business recently began enabling customers to obtain home-mortgage and related information

PHOTO: T. MICHAEL KEZA

Loans on line: *Rob, seated, and Paul Heltzel reach mortgage customers with a virtual storefront.*

and apply for and finalize loans through a virtual storefront called digitalMortgage. Service is available all day, every day without an appointment—and at no cost to users, almost all of whom are in the Baltimore-Washington area.

"This company has seen many changes since my father started the business in 1965," says Rob Heltzel, the firm's president. "We thought it was time to offer customers a new, space-age way of reaching us and vice versa. And this system makes a lot of sense." Attesting to the reach of the Internet, to which digitalMortage is connected, the company recently received a loan inquiry from France.

For the past 10 years, Americans have been "working longer hours with more demands" than ever, observes Bill Bluestein, director of computing strategy research at Forrester Research Inc., in Cambridge, Mass. "People want to regain control of their lives," he says, and on-line shopping for products and services, on-demand from anywhere and through a number of digital devices, is one way of achieving this.

However, establishing a presence on the Internet is not a sure-fire formula for building a business. When Forrester Research surveyed 25 consumer-goods and service companies with a presence on the World Wide Web recently, all reported that their sites were visited frequently, with some receiving tens of thousands of inquiries already this year. But many of the companies lamented that sales have lagged far behind interest.

Despite this uneven performance, the NII almost surely will offer small firms tremendous opportunities by 2000.

Nicholas Negroponte, director of the Massachusetts Institute of Technology Media Lab and an Internet pioneer, succinctly summarizes the beliefs of those participating in the communications revolution: "I think it's bigger than the printing press. And it's certainly quicker." NB

To order a reprint of this story, see Page 75. For a fax copy, see Page 39.

How To Get Started

"Don't wait years to see what grand plan is emerging" for the information superhighway of the 21st century, says Neil Selvin, president and chief executive officer of Global Village Communication Inc., in Sunnyvale, Calif. "Take some progressive but practical first steps now" to increase your current communications capabilities and to be better prepared to take advantage of the emerging opportunities of tomorrow, he advises. His firm helps small companies establish a presence on the Internet.

Here are some steps commonly recommended by industry experts:

Wire your business. You cannot communicate well with the outside world unless you can communicate effectively internally. Consider linking your computers with a network and installing an electronic-mail system, which allows employees to send and receive messages among themselves.

Explore the Internet. An individual modem connection to the Internet costs as little as $20 a month. Companies that provide access to this huge network advertise often in computer trade publications, and many books on the Internet contain extensive listings. Peruse, or "surf," the Net, especially the graphical World Wide Web, for business sites. This exercise will help you build an effective "storefront" for your own business on tomorrow's information superhighway.

Beware of dead-end systems. The technical and ethical standards around which elements of the NII will be built have not been established. Keep adaptability and compatibility in mind when you purchase any communications product or service.

MARKETING

Businesses As Consumers

Here are some tips on how to market your product or service to other companies.

By Roberta Maynard

Seeking out new customers by identifying market segments is fundamental in consumer marketing, yet the practice is often overlooked by businesses that sell to other firms, marketing experts have found.

"Unfortunately, while owners of small and midsize manufacturers can tell you almost anything about their production processes, technologies, and products, most have little in-depth knowledge about their customers," says Michael P. Collins, a manufacturing and marketing consultant to small and midsize businesses who is based in Portland, Ore.

Collins helps companies like Columbia Contech, in Vancouver, Wash., learn how to target customers rather than chase sales in every direction.

The best way for such firms to identify new customers, according to Collins, is to profile their existing ones. He says: "Find out who your customers are and which are the most valuable; define their wants and needs; and understand why they buy from your company and why from competitors."

Doug Gillingham, Contech's president, thought he had a solid database of the dealers, distributors, and original-equipment manufacturers who buy his company's industrial control panels—until he tried to use it to profile companies and track purchasing trends.

"When I dug into it, I realized we had too much

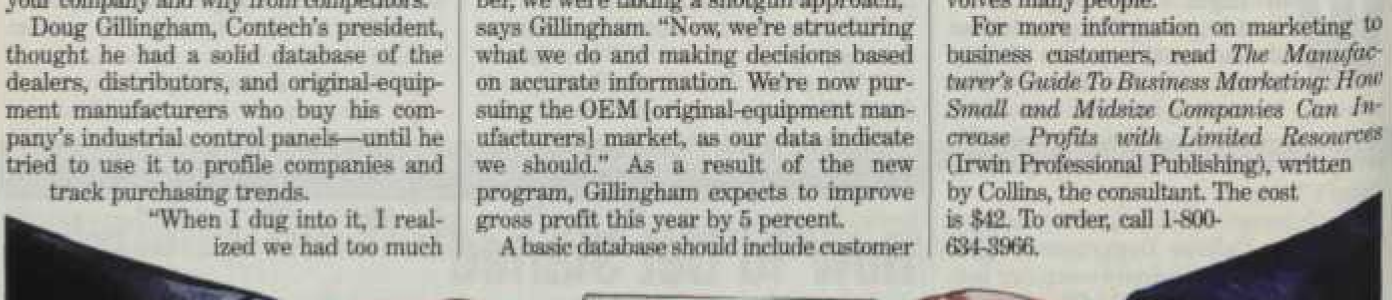


ILLUSTRATION: GEORGIA LEIGH MCDONALD

stuff that wasn't relevant," he says. "And we didn't have a good procedure to maintain accurate, updated information. So we got back to basics."

First, Gillingham gave his six salespeople access to the networked customer database and made them responsible for keeping it up-to-date. Next, he asked for a customer-by-customer review of Contech's 1994 sales. From this, he created a list of his 15 most valuable customers based on profits generated, and he found that less than 10 percent of the customers accounted for 60 percent of the sales.

To ensure a systematic and ongoing approach to each customer relationship, Contech adopted a team system. Someone in each department is assigned to each of the 15 customers. Each team member is responsible for identifying problems the customer is having and listing ways to correct them. Contech's top two customers have commented positively about the firm's new atmosphere of partnering with its customers.

Identifying and classifying your most valuable customers will do several things, Collins says. It will offer the greatest potential for short-term sales as well as help the sales department find more firms like them. The exercise may also reveal that you have been focusing your efforts on the wrong type of business or, worse, not focusing at all.

"Before adopting this system last October, we were taking a shotgun approach," says Gillingham. "Now, we're structuring what we do and making decisions based on accurate information. We're now pursuing the OEM [original-equipment manufacturers] market, as our data indicate we should." As a result of the new program, Gillingham expects to improve gross profit this year by 5 percent.

A basic database should include customer identification and a contact person; location (including addresses of all decision makers and purchasing offices); products or models purchased (to identify buying patterns by customer and market); and revenue and profit data, including a breakdown by customer and product type.

To develop new business, standard industrial classification (SIC) codes can be used to generate mailing lists or to identify market niches. After updating Contech's database and analyzing his most valuable customers, Gillingham checked his state's manufacturing directory and pulled out SIC codes that fit Contech's capabilities.

He identified 370 Oregon firms that he hadn't known about and has since begun a telemarketing program targeted to them. To find out if your state publishes a directory of manufacturers, contact your state's economic-development agency.

Here are other tips on selling your product or service to businesses:

- Business marketing depends on personal relationships and trust. Look at each transaction in the context of the total relationship, not as just another sale.
- Understand how the customer will use your product. Find out who orders the product, who benefits from it, and what difficulties the firm may have experienced in the past with similar products.
- Learn the objectives and corporate vision of your partner so you are speaking the same language and working toward the same end.
- Be patient. Unlike consumer purchases, a business purchase usually involves many people.

For more information on marketing to business customers, read *The Manufacturer's Guide To Business Marketing: How Small and Midsize Companies Can Increase Profits with Limited Resources* (Irwin Professional Publishing), written by Collins, the consultant. The cost is $42. To order, call 1-800-634-3966.

Business marketing is much more important now than it has been, says Collins, because corporate downsizing has increased competition and placed a greater emphasis on quality.

"Bigger companies have become more demanding, and that will result in winners and losers," he says. "But opportunities for new niches are great for companies that look for ways to meet the needs of their business customers." NB

REGULATION

A Breath Of Fresh Air

In a Southern California experiment, some firms are free to determine how to comply with clean-air regulations.

By Laura M. Litvan

Manufacturers in Southern California have struggled for decades under the weight of the nation's most stringent rules for cleaning the air. But if the region's heavy blanket of smog begins clearing over the next several years, the credit could go to the free market.

In an unusual experiment, local officials last year scrapped the traditional "command-and-control" approach to air-cleanup regulation. Under that regimen, regulators established strict quotas on emissions and dictated how businesses were to meet them.

Under the new arrangement, the 400 companies taking part will still face increasingly tighter annual limits on emissions through 2003 as air-quality standards get tougher, but the local regulators no longer will tell businesses how they must achieve those limits. Moreover, companies that reduce their pollutant discharges below their annual maximums can sell excess emissions rights to other local manufacturers.

This Southern California project could prove advantageous to some small businesses, at least in the short term. For example, Deleo Clay Tile in Lake Elsinore could benefit from the program this year. State regulators gave the 48-employee company, which manufactures ceramic tiles, sufficient credits to emit 33,345 pounds of nitrogen oxides during 1995. This pollutant is released when the company burns fuel to fire its four kilns.

But Deleo Tile's current-year credits were calculated on the basis of emissions from several years ago, when demand for the company's products was stronger and production was about twice its present level. Cindy Deleo, general manager of the family-owned company, says the firm likely will attempt to soften the impact of its sales decline by selling emission credits it will not need this year.

Because the tile company's emission allowance will be reduced each year, the company at some point will be forced either to make its production process more fuel-efficient or to buy emissions credits from another firm, Deleo says.

The concept of an open marketplace in environmental credits has been popular among academics for almost 30 years, but California's Regional Clean Air Incentives Market (RECLAIM) is the most far-reaching effort yet to apply the idea. The program was spawned by a provision in the federal 1990 Clean Air Act amendments that allows states to experiment with free-market approaches. Massachusetts, Illinois, and Texas are among several states that may soon establish markets for environmental credits.

PHOTO: BART BARTHOLOMEW

To "bake on" more *can labels, Western Metal Decorating owners Scott and Stephanie Brotzman obtained emissions credits.*

"We are very bullish about this approach as a compliance alternative," says Steve Harper, director of the U.S. Environmental Protection Agency's new Common Sense Initiative, a project that is exploring flexible ways to regulate industries.

Whether RECLAIM will be called a success or failure will be determined over the next eight years, the current span for the program, but California regulators are already promising big things. They say RECLAIM will prove to be a less costly system of regulation for industry and will result in pollution cutbacks at least as great as those forecast under the more rigid system.

The 400 companies in the RECLAIM program were selected because they emit the largest amounts of two targeted pollutants—nitrogen oxides and sulfur oxides, both of which are key ingredients in Southern California's smog. Both substances are emitted by manufacturers that burn large amounts of fuel, including companies that produce products containing clay, glass, or metal.

Under the system, each company receives emission credits, with allowances to release a certain amount of pollutants, based on its past emissions. The credit allowance is to decline about 8 percent a year for nitrogen-oxide emissions and almost 7 percent a year for sulfur-oxide emissions until the year 2003. No matter how many of the 400 companies sell or buy credits, the overall emissions ceiling for the Los Angeles region remains the same.

Next year, regulators will start phasing in about 1,000 additional companies as a third type of pollutant, called reactive organic compounds, is added to the program. These compounds are emitted by manufacturers that use solvents or paints.

It will cost industry an estimated $81 million annually to meet clean-air requirements under RECLAIM, or about 42 percent less than it would have cost under the old command-and-control system, according to an analysis by the South Coast Air Quality Management District, the local regulatory body overseeing RECLAIM.

Yet the smaller companies participating in RECLAIM are waiting to see if

they will actually save on compliance costs. And with the program in its infancy, some are still struggling to adapt to a whole new way of doing things.

For example, Cindy Deleo says managers at the tile company have had a tough time fully understanding the new system of regulation and have had to hire consultants to help them sort out its ramifications.

Although some companies already have entered the "smog market" to buy or sell credits through brokers, overall demand for credits is not high, and so prices are low. The largest transaction to date occurred in June, when a large glass company bought credits to emit about 3 million pounds of nitrogen oxides; it paid about 37 cents per pound. Prices are expected to rise over the next few years as the number of credits allocated by regulators drops, says Anupom Ganguli, planning and rules manager of the air quality management district.

Last July, when business increased dramatically at Western Metal Decorating Co., the firm decided to buy nitrogen-oxides emissions credits. The 90-employee company, based in Cucamonga, "bakes" paint onto metal cans for H.J. Heinz Co. and other food processors.

The ceiling on Western Metal's emissions will drop in stages each year—from 9,620 pounds last year to 1,836 pounds by 2003.

> **"We are very bullish about this [credit-trading] approach as a compliance alternative."**
>
> —Steve Harper, Director, EPA's Common Sense Initiative

Until the company can upgrade its seven gas-burning ovens to make them cleaner-burning, it will view the purchasing of credits as an available stopgap measure, says Scott Brotzman, company president.

In general, small businesses have reacted positively to the RECLAIM program, although some managers are concerned that they may not fare well as emission-credit levels decline, says Edwin Laird, chairman of the Small Business Coalition, a local group that provides feedback on the program to regulators. Laird says some small firms want to drop out of the program without penalty if they find compliance is too costly.

RECLAIM also has its critics. The Los Angeles Federation of Labor, for example, has expressed concern that when the prices of pollution credits rise, some small companies may sell their credits and use the proceeds to move operations to Mexico, where environmental regulations are less stringent.

Many environmental groups have reserved judgment of the program, but a few are fighting it.

One group, San Francisco-based Citizens for a Better Environment, sued the air quality management district over the matter last June in a state court. The organization contends in the suit that regulators doled out too many credits for the first few years of RECLAIM and that the fledgling free-enterprise program won't adequately reduce pollution. "What we're alleging is that RECLAIM is less effective than the system it replaced," says Richard Drury, staff attorney for the group.

Nevertheless, supporters of the concept think it will work, although it may need to be reviewed and improved upon over time.

California regulator Ganguli says the free-market experiment will at least give companies a chance to prove what they have argued for years: that factory managers, not government regulators, are best-equipped to find the most effective ways to cut pollution at their operations. NB

Family Business

Ads for a new generation; preparing children to take the reins; a career dilemma over sexual harassment.

OBSERVATIONS

Crowing Over Leadership Succession

By Sharon Nelton

PHOTO: T. MICHAEL KEZA

"After three generations, the Perdues know more about breeding chickens than chickens do."

That's just one of the lines in the advertising campaign that Perdue Farms Inc., the nation's third-largest poultry producer, is running to introduce 45-year-old Jim Perdue to the public as the company's new spokesman. And what the campaign does superbly—and with great fun—is capitalize on the fact that Perdue Farms, based in Salisbury, Md., is a family firm.

Since 1971, when Perdue Farms began advertising, the campaigns featured Jim's dad, Frank Perdue, turning him into a celebrity in the markets where Perdue products are sold—largely in the Northeast but also in Florida and as far west as Chicago. "It takes a tough man to make a tender chicken" became his signature line.

In the first of the new television commercials, Frank says he has bad news for competitors who are hoping he'll retire. "It's a little project I've been working on for the past 45 years—the result of decades of intensive development." After an appropriate pause, he says, "Meet my son, Jim. He may be even tougher than I am."

The campaign, Jim says, is in keeping with the past, "showing who's behind the product. I think these days, with all the mergers and buy-outs, there's no telling who's behind what anymore. One thing we have always said is that there is somebody here ... and that it is a family-run business."

Other commercials in the series embellish on the transition from father to son. In one, Jim says, "We've been working our tails off to make sure the Perdue chicken you buy today is every bit as tender, meaty, and delicious as the chicken you bought from my dad, or more so."

The advertising, Jim told *Nation's Business*, emphasizes the values, such as freshness and quality, that the company has promoted throughout the years.

It wasn't his idea to become the company's new advertising star, says Jim, who has been Perdue's chairman for three years. That role was urged on him by Lowe & Partners/SMS, the New York advertising agency that has had the Perdue account since its inception. And the Perdues trust the agency's judgment. When Perdue began advertising in 1971, it was a $60 million company with about 1,000 employees; today, the company employs 18,600, and last year's sales were $1.5 billion. Advertising "certainly helped tremendously, because it created a demand, and therefore growth," says Jim.

But he cautions that advertising and having the chief executive serve as the public spokesperson may not be right for every family firm. He says such marketing decisions should be based on whether or not the company has a story to tell that differentiates its products and gets the consumer to try them. When Perdue decided to advertise all those years ago, he says, "it was quite a risk, but one that paid off."

Of the decision to use him in the new campaign, Jim says: "If chicken sales continue or improve, then obviously it was good. If they don't, then it was not. Time will tell."

Until the count is in, I'm just going to sit back and enjoy the campaign. I especially like the section of the print ad that features formal portraits of three chickens. "The Perdue family album," explains the caption, "includes the best chickens from all over the world."

PLANNING

Help Your Children Shape Their Destinies

By John L. Ward and Craig E. Aronoff

The decision to turn an enterprise into a family business by bringing one's children into ownership or management is among the most profound and petrifying choices that an entrepreneur can make. Those we know who have faced that decision report sleepless nights and a loss of focus.

Their worries are many:

- Will the children be interested and capable?
- How will other employees react to their joining the business?
- If more than one child joins the business, how do I pick the leader?
- Can I objectively evaluate my children's performance?
- What kind of working relationship will I have with my children?
- How do I handle their compensation?
- What if they join and carry on the business out of a sense of loyalty to their parents rather than out of sincere desire?
- What if getting a job in my business is just an easy way for them to get situated?
- And the biggest fear of all: What if owning a family business wrecks our family's relationships?

Answers to such questions don't come easily. The specifics of each situation vary: the number of children; their ages, personalities, skills, and interests; and the timing

PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. They are principals in the Family Business Consulting Group, Inc.

of their entry into the business. We offer three principles that apply in all cases:

1. Don't rush your children to make a commitment.

While you can decide *not* to involve your family in the business, your children will ultimately determine whether the business will continue as a family business in their generation.

In most instances, we don't believe children can or should be pressured to make such decisions before they are ready, and we discourage statements such as, "We have a family business, and it's intended for you!"

Rather, as the teenagers approach adulthood, we encourage business owners to make a statement more like: "We've got a great business here. You're welcome to enter if you wish, after proper education and outside work experience. After you're here a few years, if you decide you'd like to make this business your career, we can talk about whether this is something we want to continue into the next generation."

2. Don't procrastinate about communicating decisions—even if those decisions cause disappointment.

Sometimes the situation suggests that there is a "right" answer to the questions of future leadership and ownership continuity—when, for example, one child is obviously suited for leadership and you are convinced the other children are not.

When the answer is clear, we think the business and the family are best served by sharing conclusions as early as possible. Then everyone can become settled in their expectations and avoid years of emotional ambiguity and doubt about important career decisions. It hurts to face children's disappointments, but procrastination causes greater problems.

3. Empower your children to accept substantial responsibility for defining the future for themselves.

When the solution is not so obviously clear, we encourage parents to seek the participation of their children in defining their futures. This process is one of thoughtful delegation, not casual abdication. It works something like this:

- When the children reach their late teens, initiate a series of family meetings that can continue over months or years. At the outset, describe the situation and the decisions to be faced. Get input from your children about their willingness to participate and their thoughts on how to proceed.
- Suggest that as a group they develop a vision of the future, identifying important questions and studying various alternatives. (See the box at left.) Usually, the first question that should be answered is whom to include in the process. For example, the children's spouses? Children active in the business? Nonactive shareholders? You should also consider from whom to ask guidance—such as key nonfamily managers.
- After they have identified questions and examined options or scenarios, ask them to report on their thinking to you. You might also share the young people's views with valued professional advisers or outside directors for their input.
- Respond to your children's ideas with guidance and feedback. Offer thoughts on other questions to be considered or alternatives to be explored.
- The next generation presents its proposed vision of the future as a basis for generational transition.

The greatest obstacle to the success of this process is the natural instinct of parents to make or heavily influence most decisions, especially those affecting the family or the business they built. Parents need to work on developing confidence in their children's thoughtfulness and in their abilities to work well as a team.

Empowering each member of the next generation to effect his or her own destiny is a precious gift of trust and faith—as great a gift as a parent can provide. ■

What To Ask

Questions your children need to think about as they map out their futures include the following:

- How do we prepare for ownership, and what are the responsibilities?
- What will we do if taking over the business doesn't work?
- What family and personal risks should we consider?
- What involvement in the business for our parents would please them, and what are their financial-security needs?
- What are the requirements of good business leadership?
- How will we make decisions as a family team in the next generation?
- What do we have to do to be a strong family in the future, regardless of the business?

ILLUSTRATION: TROY THOMAS

MARK YOUR CALENDAR

May 3-5, New York City

"Family Business Succession Planning" is a conference that covers such topics as estate planning, buy-sell agreements, and liquidity options. Sponsored by the Family Firm Institute and the American Conference Institute. To be repeated in San Francisco on May 8-10. For information, call (416) 926-8200.

May 16, Philadelphia

"A Time To Build, A Time To Sell" is the title of a seminar about selling a business. Call the Delaware Valley Family Business Center at 1-800-296-3832.

May 18, Weston, Mass.

"Why Won't Dad Let Go? Strategies for Current and Successive Generations" is a seminar sponsored by the Northeastern University Center for Family Business. Call (617) 320-8000, Ext. 8015.

May 23, Southfield, Mich.

"Empowering the Next Generation" is a daylong event featuring Paul I. Karofsky, director of the Northeastern University Center for Family Business. Call Rick Segal, chairman of the Family Business Council, at (810) 353-5600.

May 25, Smithfield, R.I.

"The Ultimate Challenge: A Healthy Business and a Healthy Family" is the topic of the Rhode Island Family Business Conference. Call the Bryant College Institute for Family Enterprise, (401) 232-6477.

June 11-15, Marietta, Ga.

The "Family Business Academy," sponsored by Kennesaw State College, is for family members who are considering joining the family business and those already identified as potential successors. Call (404) 423-6045.

June 14-16, Denver

"Managing Succession Without Conflict" is a seminar featuring Léon A. Danco, a nationally known family-business consultant. Contact Ross Nager of the Arthur Andersen Center for Family Business at (713) 237-2770.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

FAMILY BUSINESS CASE STUDY

Sexual Harassment Spoils A Dream

Georgia Marsh's "dream" job is becoming her worst nightmare. When she was hired as a financial analyst at Ryan Manufacturing Co. six weeks ago, Georgia, 30, thought she had made the best move of her career. Her new job gave her more responsibility, more money, and what she thought would be a pleasant family-business environment.

Last week, however, Paul Ryan, 52, the company's founder, asked her to visit an out-of-state facility that was having forecasting problems. Georgia jumped at the chance to demonstrate her competence. When she got to her hotel, she found a message to call Paul as soon as she arrived.

"I was unaware that Paul was also going to visit the plant," says Georgia. When she contacted Paul, he suggested that they discuss matters over dinner. Georgia accepted and quickly began assembling the financials to review with him. But during dinner, Paul seemed more interested in her than in forecasting problems. It made her uncomfortable when he told her how pretty she was and kept touching her on her arm or hand. Her discomfort increased at the plant the next day when she found Paul staring at her during meetings.

That evening when he again suggested dinner, Georgia declined but gave in when Paul persisted. After dinner, Paul insisted on escorting Georgia to her room. When he escalated his advances, Georgia told him to leave.

On her flight home, she questioned the wisdom of her decision. She remembered her excitement the day Paul's wife and brother, both key managers in the company, had interviewed her. They seemed pleased with not only her experience but also her professionalism. "I don't want to quit this job," she says, "but what recourse do I have?"

ILLUSTRATION: TROY THOMAS

Take A Strong Stand

PHOTO: BRUCE BUCHANAN

This month's case was presented for comment to 23 members of the Wisconsin-based Forum for Family Business. The group includes both men and women; all are members of the successor generation and are actively involved in their families' businesses. Their discussion was led by Dean R. Fowler, of Dean Fowler Associates, a family-business consulting firm in Elm Grove, Wis. Here is their collective response, as compiled by Fowler. (For further reading, see "Sexual Harassment: Reducing The Risks," in the March issue.)

Georgia needs to take a strong position for the sake of her own integrity and determine precisely the boundaries that she feels are appropriate in her working relationship at this or any other company. Because of the difference in power between Paul and Georgia, however, she needs to document at once the events that occurred, either with a personal attorney or with a representative from the Equal Employment Opportunity Commission.

Finally, Georgia needs to confront Paul and be assertive in stating her commitment to keeping their relationship strictly professional. Politeness will not work. She must be clear so there is no confusion or misinterpretation on Paul's part.

Usually, a strong, assertive response stops offenders "dead in their tracks." If Paul makes a commitment to a professional relationship, no further action on Georgia's part need be taken. However, if confronting Paul does not solve the problem, it becomes clear that Paul's behavior represents a long-term pattern—one that Paul is unlikely to change. In that event, Georgia can explore several options:

- Speaking to Paul's brother for a resolution inside the company. In most cases, employees would be too intimidated to go to a chief executive's relatives, who may too easily protect him and his position. However, Paul's brother may be a resource for support, depending on his personal values and financial stake in the company. Recognizing the moral and legal implications of Paul's actions, the brother may have enough leverage to curb Paul's behavior.
- Pursuing legal action. She can explore instituting a suit under state law or filing a complaint with the Equal Employment Opportunity Commission.
- Resigning with or without taking legal action. She may think life is too short and integrity issues too important to continue working where she does not feel personally safe or respected as a professional. Fortunately, she is marketable enough to land another job as good as the one she would leave.

There is a larger lesson here for family-business owners. Executives who behave like Paul not only flout the law but also perpetuate the prejudiced view that family businesses are not professionally managed.

Wise business owners take an active role in dealing with sexual harassment and other employee issues by developing clear policies and procedures for resolving problems. Both male and female ombudsmen should be available to employees who have concerns about their relationships in the workplace.

Correspondingly, before accepting employment, nonfamily job candidates should evaluate the corporate environment of a family business not only by interviewing key family members but also by learning about the company's policies, procedures, protections, and values.

Male and female relationships—and, in their extreme form, sexual harassment—pervade all corporate life. Although Ryan Manufacturing is a family business, sexual harassment requires a response that would be consistent in any type of work environment. The power of a family-business owner is no more or less disarming than the power of a high-ranking official in a nonfamily corporate setting. Like any business, a family business must be prepared to address adequately a situation like Georgia's.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute.

What Would You Advise?

If you are in a family firm and have additional suggestions for Georgia or this family business, we want to hear from you. Write: Family Business Case Study, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; or fax (202) 463-3102. The most interesting responses will be published in a future issue.

MARKETING

Minding Your Own Niche Business

Exploiting a narrow, specialized segment of a broad, diverse market can bring in solid profits.

By Joan Delaney

Amid its large stock of moderately priced shoes, the Plaza Bootery in downtown Larchmont, N.Y., was selling expensive designer handbags off nails on the wall. Lots of handbags, in fact—the kind usually found in chi-chi malls—according to Tom Mendes, who owns the store with his brother John.

"So we figured there was a market for an upscale women's shop," Tom says. John adds: "We've seen stores come and go in Larchmont. Too many offered the same tacky merchandise."

When space became available next door, the brothers—going on gut instincts and with no market research—opened an upscale store, Plaza Too, selling $12 hosiery, $200 shoes, and $300 handbags in the affluent community within commuting distance of New York City.

That was in 1988. Today, the Mendes brothers have four stores in Westchester County and one in Connecticut, with $4 million in sales in 1994. They plan to have 20 stores in the Northeast by 2000.

"We target the customer who is fashion-conscious and has money to spend," says John Mendes, who handles merchandising. "Women can shop locally instead of having to drive to malls."

Tom and John Mendes are succeeding in what's called a "niche business." That's when a small firm exploits a small segment of a large, diverse market generally served by only the biggest companies. By targeting a niche, the business can then offer specialized goods and services to a specific group of customers.

To succeed, however, a niche business must stand out in the crowded retail marketplace. "A business must differentiate itself in ways that are important to the customer. Better merchandise and superior service attract a certain clientele," says Marie Beninati, director of retail market strategy at Kurt Salmon Associates, a New York City consulting firm.

And as the Mendes brothers and others have shown, if you build a market niche, customers will come. "Small businesses can succeed by being flexible and tailoring their goods and services to narrow segments," says Larry Autrey, manager for private business services at Whitley, Penn & Associates, an accounting firm in Fort Worth, Texas.

Joan Delaney is a free-lance writer in Larchmont, N.Y.

PHOTO: ©TOM SOBOLIK—BLACK STAR

Targeting the well-heeled: *Shoe retailers Tom and John Mendes plan to expand in the Northeast.*

What the Mendeses had seen in Larchmont were stores failing to take advantage of changing demographics and shopping habits, says Kurt Bernard, publisher of *Bernard's Retail Marketing Report* in Scotch Plains, N.J. He says that such stores "remain the same as they were 30 years ago."

The Mendeses decided their firm would not be left in the wake of change. So they launched Plaza Too on a shoestring, each investing $15,000 to add to a $110,000 loan co-signed by their father. They spent $70,000 renovating the 800-square-foot shop; the rest went for inventory.

Unlike mass marketers that focus on the sales transaction, Plaza Too maximizes sales through customer service. If a customer wants a shoe unavailable in her size, the store calls other Plaza Too locations and has it the next day. The staff greets regular customers by name and sends cards and balloons on their birthdays.

The brothers also strive to provide a pleasant work environment for their 35 employees, who are paid salaries instead of commissions. Tom Mendes says that the drive to earn commissions can make salespeople too pushy with customers. He adds: "We don't want them to feel pressured. If they're happy, the customer is happy."

In 1990, when many businesses were retrenching, the brothers opened two stores—one in Rye, N.Y., the other in New Canaan, Conn.—with $65,000 in bank loans and credit-card debt.

Landlords with lots of unused space offered good deals, such as a few months' free rent and long-term leases at reduced rates. Anxious manufacturers offered 90-day payment plans instead of 30 days, but they typically visited stores first to make sure each outlet's ambiance and merchandise from other vendors were sufficiently upscale. "The longest holdout was Robert Clergerie, which has limited distribution. Now his shoes are our biggest seller," says John.

Last year, two more shops were opened—in Bronxville and Scarsdale, N.Y.

Under The Hood

Niche businesses don't need a good economy to succeed. "They can do real well if they serve a market that is unaffected by downswings," says Autrey.

Take gas utilities, which must maintain lines and repair leaks even in a bad economy. Trucks typically haul air compressors on trailers to operate equipment at work sites. So Patrick Wilkens designed a way to mount compressors under a truck's hood. "The recession helped us because utilities were looking to be more cost-effective," says Wilkens. He quit his sales and marketing job at Sulair Corp., a manufacturer of air compressors in Michigan City, Ind., to launch Boss Industries with his brother Paul, a certified public accountant.

Armed with a detailed business plan

MARKETING

PHOTO: SHAWN SCOTT

Pet project: *Julie Getz, center, co-founded a service to meet demands for personalized pet care. With her are employees Sharon Romero, left, and Linda Polarek.*

and a five-year forecast, they started the LaPorte, Ind., company with $75,000 in savings and $500,000 in loans guaranteed by the Small Business Administration (SBA). "They did it right. They knew the industry, and they recognized a niche," says Dale Clapp, then vice president at First Citizens Bank in Michigan City, which provided a loan and a credit line.

Patrick Wilkens aggressively marketed the compressors to gas companies, offering a year's free tryout. "We knew once a crew got used to not hauling a compressor, they would want our product," he says. He set up a distributor network in Canada and the U.S. and demonstrated the machine at trade shows. The company sold 80 compressors at $7,500 each the first year. Last year's combined sales for compressors, parts, and service came to almost $5 million.

Now, the brothers must find more customers for their product or provide new products for existing customers.

Prosperous Pampering

Peggy Swain and Julie Getz started a niche business of a different sort: specialized care that owners want for pets. Pet Pals Inc., also in Michigan City, provides lodging, grooming, and home-care visits when owners are away.

For $11 an hour for the one to four hours it takes to visit a home, they'll feed, walk, and brush the pets, change litter boxes, water plants, take in the mail, and put out the trash. "People look at pets as their kids. They want pampering," says Swain, a veterinary technician.

The pet hotel offers 40 "rooms" for $7 to $11 a night, a grooming salon, an exercise area, and 24-hour supervision. Dogs are walked individually four times a day and receive nondairy treats during "Yappie Hour." In the works is a play area 24 by 95 feet in size, with tunnels and Frisbees.

Swain and Getz launched Pet Pals with $90,000 of their own money plus $135,000 in SBA-guaranteed loans. They advertise in newspapers and with fliers, but it's mostly word of mouth that has attracted 4,000 clients.

Clapp, the local banker, who also financed Pet Pals, is impressed with their success. "We didn't know if they could pull it off in a small community," says Clapp, now a vice president with the Mercantile National Bank of Hammond, Ind. "They should do $500,000 to $750,000 this year, well above anything we thought they could do." Down the road, the women plan to add an emergency clinic for pets, with veterinary care from dusk to dawn.

Gone Shopping

Andrew and Thomas Parkinson tapped a market looking for convenience: working mothers who would rather not spend precious free time shopping. In 1989, Andrew, a marketing executive, and Thomas, a computer programmer, founded Peapod Inc. in Evanston, Ill., to offer computerized food shopping and delivery.

"For a $10 fee, customers use phone, fax, or modem to give us their grocery orders and the time and day they want them delivered," explains Andy Cohen, head of marketing. The company transmits the orders to a local supermarket where they are filled by Peapod shoppers—typically students and retirees. Vans deliver the groceries to customers' doors.

Peapod markets the service with mailings and point-of-purchase displays in stores. "It's a good deal for retailers because it brings in a lot of new business," Cohen says. The grocery-shopping service has 5,000 customers in Chicago and 2,000 in San Francisco, where it was initiated in 1993. "We plan to be in other cities by the end of the decade," he says.

Niche players must scramble to retain their markets. "If businesses are very successful, competitors are sure to jump in," says Larry Autrey. Boss Industries already competes with two other companies with similar products. "We consider that an advantage, though," says Patrick Wilkens, "because competition keeps us aggressive." NB

Discovering Your Market

Entrepreneurs typically fall in love with their product or service, but that doesn't mean the public will. To find out if there's a market for your business, do some homework. Here are some ways to determine if there's a niche for you:

Size up the market. Describe your market in terms of growth, trends, and demographics. Identify your target customers, their per-capita income, age, sex, geographic locations, and attitudes. Supporting data can be obtained from trade associations, trade journals, government statistics, and surveys.

Get help. Marketing consultants probably can do research faster than you can. But if your budget is tight, check with local business schools; marketing professors sometimes do consulting work for a nominal fee.

Know the competition. Business owners should know the other players, their strategies, strengths, and weaknesses. You won't be able to compete on every front, so try to match your strengths—people, product, service—against your competitors' weaknesses.

Market growth. Make sure your product or service—your niche— has staying power and won't be overtaken or made obsolete in a world of rapidly changing technology. For example, devices like fax machines and cellular phones are only windows of opportunity. Try to stay on top of the current market.

Locate roadblocks. Make a list of the barriers that could prevent you from reaching your marketing goals. Insufficient capital, lack of management experience, or too much competition can spell failure. Savvy entrepreneurs know their limitations and do their best to overcome them.

WORKPLACE

Should You Lease Office Equipment?

A company that does so can save on taxes and keep cash on hand for other uses, but it's not for everyone.

By Janet L. Willen

Gina Mitchell never considered borrowing money from a bank to buy the three photocopying machines she needed for her Copy Express business in Elmira, N.Y. "It was easier to lease through the vendor," she says.

An accountant, Mitchell also knew leasing provided a tax advantage. She can realize the deduction of 36 monthly lease payments as a business expense sooner than if she had depreciated machines purchased through a bank loan. The standard depreciable life for office equipment is five years.

Small-business owners *like Gina Mitchell of Copy Express in Elmira, N.Y., have discovered the tax advantages of leasing equipment.*

Mitchell is among the growing number of small-business owners who lease rather than purchase such items as computer mainframes, small computer systems, photocopiers, and fax machines. About 80 percent of companies lease some or all of their business equipment each year, according to the Equipment Leasing Association, an Arlington, Va., group that represents lessors.

Leasing's market share of equipment acquisitions has increased from 27 percent in 1985 to 29.4 percent in 1993 and is expected to be 30.1 percent for 1994, the association's latest statistics show. The U.S. Department of Commerce estimates that total business investment in equipment in 1994 will be \$466.1 billion, of which \$140.2 billion will be for equipment acquired through leasing.

Leasing is growing in popularity because it offers several financial benefits in addition to the tax deduction:

- Cash remains free for other uses.
- Lines of credit remain open.
- Leasing provides a hedge against equipment obsolescence.

But leasing isn't for everyone. Companies must calculate the ultimate dollar cost of leasing and weigh any advantages against the inability to list the equipment as an asset, the potential advantages from recent changes in the tax law, and the control that comes with ownership.

Accountants, lessors, and lessees agree that business owners should consider three key criteria before they decide to lease: financial implications, tax consequences, and end use or obsolescence.

Financial Implications

First, ask how much interest is being charged on the lease, says Julie Welch (Runtz), director of tax services at Mears, King & Co., in Kansas City, Mo., and a member of the Small Business Taxation Committee of the American Institute of CPAs. Then you can evaluate whether you would be better off paying cash, obtaining a bank loan, or leasing.

"Commercial loan rates are competitive," says Brad Thomson, vice president and middle market manager at The Chase Manhattan Bank, in New York. He says the standard range for commercial loan rates is from the prime rate to the prime plus 2 percentage points, and the rates for leases are similar.

Lessors, however, sometimes offer interest rates lower than bank loan rates because of the equipment's value to them at the end of the lease, says Suzanne Jackson, director of communications at the Equipment Leasing Association. They can remarket the equipment by leasing it again or selling it.

For example, companies that borrow money from a bank to buy a \$25,000 photocopier must repay the bank the full value of the copier plus interest. A lessor who can resell the photocopier for \$2,500 at the end of the lease will base the lease cost on \$22,500.

Interest rates, however, are only one factor in weighing whether leasing or buying would work best for you. More important to many small businesses is that a lease requires no large down payment and only limited upfront costs—typically two months' worth of lease payments.

Preserving cash was the deciding factor for Carolyn Dixon, director of finance at Environmental Testing Service, Inc., a full-service test laboratory in Norfolk, Va., that has 35 employees. Dixon leases a copier and various pieces of laboratory equipment even though the interest rate on some of her lease agreements is higher than the interest she would have paid on a bank loan.

Dixon chose leasing to save on the down payments. "It's the easiest way to go in without a lot of upfront cash," she says.

Lessors also can be more flexible than banks in setting monthly payments. "If you know that the first couple of years will be tough but you want equipment," says


PHOTO: T. MICHAEL KEZA

Lack of a down payment *was a key factor in the decision by Carolyn Dixon, right, to lease a photocopier and lab equipment for Environmental Testing Service, Inc., in Norfolk, Va., where she is director of finance.*

Richard Klein, corporate communications coordinator for AT&T Systems Leasing in Bloomfield, Mich., "you can get low monthly payments for two years and higher payments in the third and fourth when you can afford to pay."

Tax Consequences

Before the Tax Reform Act of 1986, there was a rule of thumb that it was always better to buy, primarily because of ownership and the deductibility of interest payments, Julie Welch says. That guideline no longer applies, she says, because of the alternative minimum tax—a calculation devised to prevent individuals and corporations from paying no taxes—and other complicating factors. A business that is subject to the alternative minimum tax cannot depreciate equipment as quickly as a business that is not subject to that tax. A company that cannot take full advantage of depreciation may be able to do so indirectly through leasing, says Ed Cipro, senior vice president of Signet Leasing and Financial Corp., a division of Signet Bank Maryland in Baltimore. Lessors can take the depreciation allowance and pass the benefit along to lessees by lowering the interest rate.

Don't assume, however, that leasing will always provide the greatest tax advantages. Because circumstances differ, business owners should ask their tax advisers how leasing would affect their taxes, says Janis C. Crain, a certified public accountant in Bastrop, La.

Congress gave many small businesses an added incentive to buy equipment with passage of the 1993 tax law, Crain says. Companies that spend less than $200,000 on new assets can take a first-year deduction of $17,500, an increase of $7,500 over what previously prevailed.

For equipment that costs more than $17,500, the additional amount can be depreciated over its life. For equipment that costs less than $17,500, such as furnishings for a home office, a small-business owner may be able to deduct the total cost in the year of purchase.

End Use

Janis Crain says companies should know before they sign a lease what they want to do at the end of the lease: purchase or lease new equipment. "If you always want the latest model, you're probably better off going with a lease," she advises.

"Our philosophy," says Boyd Bunting, secretary-treasurer of Spartan Radiocasting, in Spartanburg, S.C., "is that with computer equipment and the changing technology, it makes sense to lease." The company leases computer equipment from IBM Credit Corp., in Stamford, Conn. Spartan typically signs five-year leases with options to buy, but when the lease is up, Bunting says, Spartan wants to upgrade and doesn't want the hassles of disposing of the products.

If you lease, be sure you know what kind of lease agreement you are signing. A "dollar buyout" contract is most favorable. It allows you to purchase the equipment for $1 at the end of the lease. Some lessors use "percentage buy-out" agreements, which stipulate a percentage of the original value as the buyout price.

Try to avoid an "open-end" or "intangible-end" lease, Crain advises. These leases state that you may purchase the equipment at "fair-market value," a term that can be subject to dispute, she warns.

Some leases give you the flexibility to upgrade the equipment by canceling the old lease without penalty and taking out a new lease, says Ed Cipro of Signet Leasing. But breaking a lease because of financial hardship can damage your company's credit rating.

Dixon, who leases equipment for Environmental Testing Service, takes advantage of leasing both to buy and to upgrade. She expects she'll lease another photocopier when her current three-year lease ends. She'll purchase her lab equipment with a $1 buyout, though.

Increasingly, leasing is becoming routine for small businesses. For many, leasing has tax and cash-flow advantages, and it makes it easier for some businesses to be on the cutting edge of technology. For other businesses, though, buying may remain more attractive.

Although there are no clear-cut rules on buying and leasing, one principle applies to all businesses: Take the time to calculate which option would be better for you. NB

Lessors And Leases

Leasing is usually arranged through one of the following five types of companies:

- Banks or affiliates.
- Subsidiaries of equipment manufacturers. They usually lease the parent companies' products.
- Independent leasing companies.
- Investment bankers or brokers.
- Diversified financial services.

Some retailers also offer lease services, usually through a bank or an independent leasing company.

Most lessors offer both operating and finance leases. Lessees base their decisions about the type of lease on the kind of equipment and how long they intend to keep it.

The operating lease is a short-term lease that doesn't cover the life of the product, and the lease payments for the initial lease term do not cover what the lessor (the owner) paid for the equipment. At the end of the lease, the equipment is returned to the lessor.

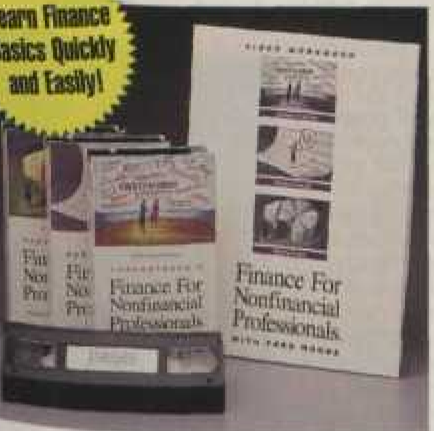
The operating lease is the usual choice for high-tech equipment, such as computers and photocopiers, which users often want to upgrade every few years.

The finance lease is for a longer term and usually is used to finance purchase of the equipment. Payments may cover or nearly cover the acquisition price of the equipment plus financing.

To learn more about the basics of leasing, call the Equipment Leasing Association at (703) 527-8655.

Success Strategies That Boost Sales and Profits!

Learn Finance Basics Quickly and Easily!



VHS only. Running time 3 hours, 51 minutes. Includes 3 videos and one 48-page workbook.

$249.95
plus $6.00 s/h

If you need to learn more about accounting, finance, and budgeting...here's where you'll find all the answers.

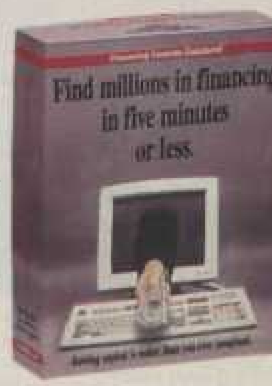
FINANCE FOR NONFINANCIAL PROFESSIONALS

Once you learn to read and analyze financial statements, you'll take a more active part in financial discussions...and make more confident and well-informed decisions in money matters. Budgeting, buying, forecasting, and goal-setting will make perfect sense to you, and you'll be able to deliver analyses and reports that demonstrate your control of your business. This remarkable video series helps you learn every basic nuance of finance, including accrual vs. cash reporting; direct and fixed costs; tests for liquidity, leverage, and solvency; different purposes of budgeting; revenue projections; and more.

Quickly locate lenders and investors throughout the USA.

THE FINANCING SOURCES DATABANK

Raising capital is easier than you ever imagined with the *Financing Sources Databank*. When your local bank says NO, this database says YES! It's packed with 2,500 non-bank lenders and equity investors who're aggressively lending money across the country. Includes venture capital firms, small business investment companies (SBICs), commercial banks, equipment lessors, factoring firms, and asset-based lenders. Simply enter your industry, location, and amount and type of capital required. In seconds, you get a list of lenders and equity investors who match your needs. Plus five screens of information on each financing source!



Computer disk (DOS 5-1/4, 3-1/2—for DOS 3.3 or later, 5.5 MB, and 640K RAM)

$139.00
plus $6.00 s/h

How much cash will you need next week, next month, or next year?

UP YOUR CASH FLOW

If you've never had the time or the tools to project cash flow, here's the program for you. Simply answer the questions on your screen about sales and expenses, and out pops a complete financial plan in spreadsheet format... without wasting a moment of spreadsheet set-up time to get it! You can spot trends, run "what if" scenarios, and always know your cash needs in advance.

FREE BONUS DISK:
The Household Cash Planner
will help you accurately forecast your financial future.

Computer disk (DOS 5-1/4, 3-1/2 Specify on order form)

$89.95
plus $6.00 s/h

Complete a winning proposal... raise capital to launch a new venture, product, or service... write the business plan that will jump-start your company!

BizPlan*Builder*

Your business plan is how you stay in touch with your goals, potential risks, and likely rewards. And it may be the single most important factor in convincing investors to give you the financing you need. BizPlan*Builder* not only helps you get started, it practically does all the work for you with more than 90 pages of typed and formatted word processing and spreadsheet files...as well as headlines, sentences, paragraphs, tables, and lists to help you produce your perfect business plan. BizPlan*Builder* will help you save valuable time, structure your thinking, and get you the dollars you need...and it will help you no matter if this is your first business plan or your tenth. No mistakes. No consulting bills. No hassle.

126-page reference guide and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)
Regular price, $129.00
Your Price:
$99.00 plus $6 s/h

304-page hardcover book.
$32.95 plus $4.00 s/h

Protect your business in any economic climate.

CASH FLOW PROBLEM SOLVER

Many entrepreneurs have the "midas touch" when it comes to creating products and generating sales. But if they can't manage cash flow well, the result may be devastating. A business can overcome the loss of a customer...but it may not be able to overcome missed payroll and payments. If you're an entrepreneur, this proven cash management system talks your language. It identifies the fundamental principles of cash management that *every* business must understand...and it gives you realistic examples and illustrations of how to apply those principles to *your* business. You'll learn the uses and limits of a credit policy, how to manage for profit, methods to reduce the average collection period, and how to build a better inventory management system. Proven tactics that assure positive cash flow.

ORDER NOW!
CALL TOLL-FREE:
1-800-479-4530

Select the accounting software that's perfect for your business!

GUIDE TO SMALL BUSINESS ACCOUNTING SOFTWARE

Here's the program consultants use to help small businesses assess their accounting needs! Now do it yourself using comparative tables that show side-by-side details of general ledger, accounts payable and receivable, inventory control, and payroll. Match the right system to your company by determining the strengths and weaknesses of:

Windows Products	*Dos Products*
Peachtree for Windows V2.0	*One-Write Plus V4.0*
Spectrum (Real World)	*Peachtree V7*
Profit (Great Plains)	*Champion Bookkeeper*
DacEasy for Windows V2.0	*Profitwise*
QuickBooks for Windows V2.0	
Access to Platinum	
CA Simply Accounting V2.0	

140-page guidebook and computer disk (DOS 5-1/4, 3-1/2)
Regular price: $125.00
Your Price:
$99.95
plus $6 s/h

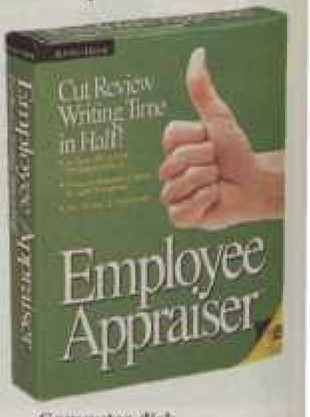
FREE BONUS DISK:
The Requirements Analyst™
decision-support program allows you to assign priorities and score packages automatically.

Cut Review Writing Time in Half!

The acclaimed program for writing employee reviews, evaluations, and appraisals… quickly and easily.

EMPLOYEE APPRAISER

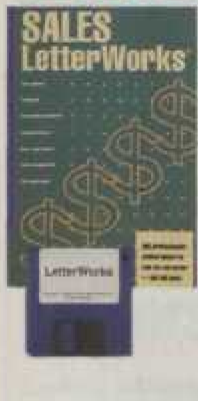
This computer-based program helps managers and supervisors avoid many of the most common performance appraisal mistakes. *Employee Appraiser* gives you access to hundreds of professionally written phrases and paragraphs that can be personalized to fit your people and specific situations. Developed by labor law experts, the glossary checks your documents for inappropriate language and offers advice on how to correct it. The result is better employee evaluations… delivered in half the time.



Computer disk (WINDOWS 3-1/2) Includes over 400 writing samples
Regular Price: $129.00
Your Price:
$99.95
plus $6. s/h

COMPUTER LETTERS, FORMS, DOCUMENTS, AND AGREEMENTS

SALES LETTERWORKS



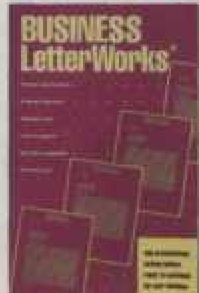
308 expert letters that generate sales and profits

No matter what your business is or whom you're trying to convince, *SALES LetterWorks* has the perfect letter for virtually every selling situation. Call up custom-crafted letters on your computer that cover every aspect of selling: creating repeat business, opening doors, dealing with customers, responding to objections, collecting money. *Acclaimed by the New York Times as a product that will "help sell anything."*

372-page book (308 letters) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)
$79.95 plus $6 s/h

Works with ALL IBM Compatible and Macintosh Word Processors

BUSINESS LETTERWORKS*



400 professionally written letters to cover all areas of your business

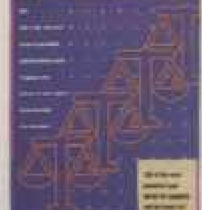
All software in this section is available for WINDOWS!

If you've ever struggled to tell an employee you're unhappy with his performance, apologize for an employee's rudeness, make an inquiry to a venture capital firm, or any number of situations, then this software will simplify your life. Call up letters covering advertising, suppliers, internal communications…every business situation imaginable.

470-page book (400 letters) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)
$79.95 plus $6 s/h

*Formerly LetterWorks

LEGAL LETTERWORKS

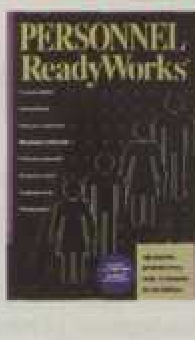


165 legal forms and agreements

Count the times you've needed a legal form: partnership or corporation papers, brokerage agreement, real-estate lease, contract for sale of goods, a will. Now you can save money on legal fees and avoid time-consuming, deal-killing delays. Just call up the form you want, fill in the blanks as directed, and print a completed form.

452-page book (165 legal forms) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)
$79.95 plus $6 s/h

PERSONNEL READYWORKS



160 customizable forms and documents for every phase of personnel management

Now there's help in dealing with some of the most sensitive areas of management: hiring and discipline, health and safety, government regulations, and more. Avoid costly problems and possible lawsuits with customizable forms that cover company policy, benefits, record-keeping, performance appraisals, terminations, confidentiality, and illness.

370-page book (160 forms) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)
$119.95 plus $6 s/h

#1 Selling Customer Service Program!

Help your employees give the service that customers respond and return to!

THE POWER OF CUSTOMER SERVICE

Let famed customer service expert, Dr. Paul Timm, give you the inside track on the do's and don'ts of dealing with customer service (skills that benefit the customer *and* the employee!). This how-to-do-it program details:

- The three C's of customer service success: Concern, Communication, and Competence.
- Why customers become dissatisfied and how you can turn them around.
- How to deal with customers courteously and successfully even when you're under pressure.

This bestselling, sales-building program can be the key to gaining successful, repeat business. Improve the power of *your* customer service!

VHS only. Running time 45 minutes. Includes companion audiocassette and workbook.

$99.95
plus $6.00 s/h

Feel comfortable and in control with any individual or group.

HOW TO MAKE WINNING PRESENTATIONS

You can quickly and easily overcome presentation jitters. With these 30 surefire tips, you'll look and act composed... and give each audience (of one or a thousand) exactly what they expect. Learn and apply success tactics used by top speakers to make listeners remember exactly what they want them to...and how to adjust to every audience.

VHS only. Running time 30 minutes. Includes companion audiocassette and workbook.

$99.95
plus $6.00 s/h

Turn every customer into a lifelong client!

50 WAYS TO KEEP YOUR CUSTOMERS

We live in an era when buying decisions are being made not nearly as much on the quality of the product...but on the quality of the service that's offered. This acclaimed program—using entertaining and familiar everyday situations—delivers proven techniques that will help employees, managers, salespeople, telemarketers, office staff—everyone!—make customers want to come back for more. *50 Ways* is divided into short segments, making it perfect for employee training sessions...or for easy all-at-once viewing comprehension. This step-by-step system shows you how to deal with difficult customers...and it also helps turn employees into better employees! This is an outstanding program for today's customer-driven economy.

VHS only. Running time 45 minutes. Includes companion audiocassette and workbook.

$99.95
plus $6.00 s/h

Make your meetings pay off!

HOW TO HOLD SUCCESSFUL MEETINGS

VHS only. Running time 30 minutes. Includes companion audiocassette and workbook.

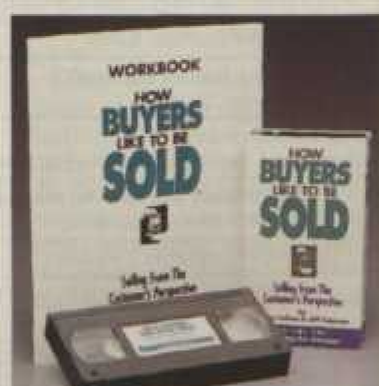
$99.95
plus $6.00 s/h

Meetings can be tremendous time wasters...in fact, most of them are! Here are 30 ways to make every meeting a valuable, productive business tool. Learn how to tactfully prevent someone from taking over a meeting...reinvigorate a stalled meeting...brainstorm whenever needed...dramatically cut the time required for each meeting.

See the customer's point of view and increase your sales!

HOW BUYERS LIKE TO BE SOLD

An important, insightful video program that shows you exactly what your prospects are thinking... and how you can create sales techniques they can't resist. Discover what gets their attention, what turns them off, what makes them say YES. These unique, powerful strategies will dramatically enhance your sales efforts.



4-volume video set. VHS only. Running time 3 hours, 58 minutes. Includes 32 page workbook.

$179.95
plus $6.00 s/h

ORDER NOW!
HAVE YOUR CREDIT CARD HANDY AND CALL
TOLL-FREE: 1-800-479-4530

Small Business Financial Adviser

Scaling the "wall of worry"; extra health coverage at the top; shopping around for lower-cost long-distance time.

Rally Boosts Stocks And Bonds, But Will It Last?

By Randy Myers

Is the party over? The stock market sprinted to record highs in the first three months of 1995, and the bond market staged an impressive rally of its own following a disastrous year in 1994. With the average stock mutual fund up 7.16 percent for the first quarter (see table) and the average bond fund up 3.97 percent, a prudent investor might be sorely tempted to cash out.

But that would be a mistake if the history of investor psychology is any guide. While the markets' recent fireworks have many investors worried that prices moved too high too fast, that same nervousness suggests the markets still have room to run. Veteran analysts call it "climbing the wall of worry."

"When you move to new highs the way we've been doing, you usually see optimistic speculation really bubbling over," explains Don Hays, director of investment strategy for Wheat First Butcher Singer, an investment banking firm in Richmond, Va. "We've had virtually none of that; instead we've had intense fear the whole way."

Absent such fear, according to the wall-of-worry theory, investors will bid stock and bond prices far above their intrinsic value and make a downturn inevitable. A healthy nervousness keeps prices in check and precludes a crash. Accordingly, market experts surveyed by *Nation's Business* suggest that while this rally may pause to catch its breath sometime soon, there's no evidence yet that investors ought to be bailing out of stocks and bonds.

Of course, no bull market goes straight up, and Hays says he wouldn't be surprised if stock prices were to pull back by 3 to 6 percent sometime before the second quarter ends on June 30, probably on renewed fears about the economy.

Performance By Mutual Fund Category

With Dividends Reinvested Through March 31

Type Of Fund	1st Quarter	One Year	Five Years
	(Figures Are Percentages)		
GENERAL STOCK FUNDS			
Capital-appreciation funds	6.45	6.77	70.52
Growth funds	7.38	8.81	67.74
Midsize-company funds	7.18	8.62	91.60
Small-company growth funds	5.57	7.69	91.26
Growth and income funds	7.89	10.35	64.87
S&P 500 objective funds	9.59	15.09	68.03
Equity income funds	7.39	8.76	58.61
General Stock Funds Average	7.16	8.96	70.37
Health/biotechnology funds	10.26	19.72	124.42
Natural-resources funds	4.08	4.66	20.88
Environmental funds	5.35	-2.33	7.34
Science and technology funds	6.87	17.76	135.27
Specialty/miscellaneous funds	6.90	7.38	82.88
Utility funds	4.19	1.91	50.20
Financial-services funds	7.93	10.46	143.21
Real-estate funds	-2.38	-5.46	40.38
Gold-oriented funds	-1.34	-9.62	7.40
Global funds	0.04	-0.60	42.85
Global small-company funds	-1.18	-2.16	49.59
International funds	-1.84	-1.68	36.91
International small-company funds	-4.66	-10.62	12.93
European region funds	2.37	2.45	21.54
Pacific region funds	-4.25	-4.43	49.28
Emerging-markets funds	-11.22	-15.23	53.98
Japanese funds	-8.83	-8.99	-8.24
Latin American funds	-30.38	-37.83	n.a.
Canadian funds	-0.69	-10.82	11.82
World Stock Funds Average	-3.10	-3.99	30.83
All Stock Funds Average	4.44	5.89	65.05
Flexible portfolio funds	6.08	6.86	59.38
Global flexible portfolio funds	1.94	0.74	40.91
Balanced funds	6.09	6.84	58.47
Balanced-target maturity funds	5.45	5.03	59.77
Convertible-securities funds	4.99	3.04	68.54
Income funds	5.76	6.12	57.70
World income [bond] funds	2.78	1.59	52.09
Fixed income [bond] funds	3.97	2.85	51.07
Average Of Taxable Stock And Bond Funds	4.34	4.79	60.05

SOURCE: LIPPER ANALYTICAL SERVICES INC.

Attractive Cyclicals

Where will the best opportunities be found? Many investment pros are looking to cyclical issues—those dependent on a strong economy—which generally lagged in the last quarter amid concerns that the economy might slow down too quickly in 1995 after a healthy 4 percent gain, as measured by gross domestic product, in 1994. But with a growing consensus that the economy will instead enjoy moderate but sustained growth through 1995—the elusive "soft-landing" sought by the Federal Reserve Board—many of these companies' stocks might rebound.

"A lot of these cyclicals seem to us to be a lot more attractive now," says James Kennedy, director of research for T. Rowe Price & Associates Inc., Baltimore, one of the nation's largest mutual-fund operators. "In the early part of an economic recovery, supply and demand are far apart, but late in the cycle, supply and demand tighten up, and that's when producers [of cyclical goods] get pricing power."

Funds that invest in foreign stocks also were beaten down badly in the first quarter. The Latin American fund, for example, dropped by 30 percent. Not surprisingly, investment pros aren't promoting them as aggressively as cyclical stocks. Instead, they're suggesting merely that the funds may represent a reasonable opportunity for long-term investors. For the near term, it would seem, the real party is staying at home.

What could slow the U.S. stock market? If investors are complacent about anything and are therefore chipping away at the

wall of worry, it's the idea that a soft landing for the economy is in the bag. If investors change their minds, the stock market could be shaken.

Another wild card is the U.S. dollar, which hit a post-World War II low against the Japanese yen and the German mark at the end of the first quarter. A weak dollar helps U.S. companies that do much of their business overseas because their exports become less expensive in those markets and because the companies benefit from currency translations on their foreign profits.

But a weak dollar also makes imported goods more expensive here at home, increasing inflation pressures and thereby threatening the economy.

The dollar has fallen 30 percent against the yen since President Clinton took office, but one-third of that decline has come in the past three months alone.

Thus far this year, the Fed has resisted the temptation to raise interest rates to try to buttress the dollar. But there's no guarantee it won't take that action in the future, and higher rates again could threaten the economy.

If the dollar does rally, multinational companies that have benefited from the weak greenback could be hurt.

One prop supporting the stock market is the growing propensity of Americans to save for retirement. Despite the market's lackluster performance in 1994, investors poured more than $119 billion into stock funds last year and continued to add money in the first quarter of 1995.

A Mixed Picture For Bonds

Bond funds haven't enjoyed the same support. Investors withdrew about $43 billion from them last year, and only this February did these funds begin to register the first net inflow of money since March 1994.

The turnabout followed a rally in the bond market, where prices began climbing in late November and continued to do so through the first quarter. Over that period, the yield on the Treasury's 30-year bond fell to about 7.4 percent from just under 8.2 percent; yields on 10-year Treasuries fell to about 7.1 percent from 8.1 percent; and yields on high-quality 30-year municipal bonds fell to about 6.1 percent from just under 7.3 percent. (Bond yields, or interest rates, move inversely to bond prices.)

Still, a poll conducted by Consensus Inc., an investment research firm in Kansas City, Mo., found that investment professionals aren't convinced that the bond rally can continue. The poll found that only 47 percent of investment advisers it surveyed near the end of the quarter were bullish on the bond market.

"Those are very significant decreases in yield in comparison to a fairly modest, perceived slowdown in economic activity," warns Jerome J. Jacobs, manager of the Vanguard Municipal Bond Fund's high-yield and long-term portfolios. But, he adds, while the economy probably isn't growing slowly enough to sustain a long-term rally, neither are conditions so unfavorable that investors should make dramatic revisions in their bond portfolios.

Instead, he suggests that investors continue to structure their bond portfolios on the basis of their income objectives, the time horizon of their investment strategies, and their tolerance of risk.

For Hays, of course, such caution is merely evidence that it's time to buy. "We think that by the end of the year the long bond will be yielding about 6.88 percent," he says, "and that by Election Day 1996 inflation will be 2 percent or less and bond yields will be under 6 percent."

Buying long-term bonds, which is what Hays' optimistic outlook would suggest, is probably right only for aggressive investors seeking maximum capital appreciation in their bond portfolios, or for long-term investors who view a yield of 7.4 percent as attractive.

That's especially true because bonds maturing in as little as five years are yielding only a fraction of a percentage point less than long bonds.

"If your investment horizon is five years, there's really no reason to be in a long bond right now because there's no income advantage," says Jacobs.

In other words, don't leave the party, but don't go dancing on the tables either. Whether you're investing in bonds or stocks, this is no time to be taking extravagant risks.

Stock Performance In The First Quarter

Industry Group	Change In Value Jan. 1 To March 31 (Figures Are Percentages)
Railroads	16.5
Recreation–movies, sports	12.5
Metals fabrication	11.8
Savings and loans	11.8
Health	11.6
Aerospace	11.5
Business equipment	11.5
Airlines	11.1
Multi-industry	11.1
Retail–discount, drugs	10.0
Distillers–brewers	9.9
Drug manufacturers	9.7
Retail–apparel	9.5
Food–meats, dairy	9.1
S&P 500 Index	9.0
S&P Industrial Index	9.0
Machinery–light equipment	8.8
NASDAQ Index	8.7
Insurance	8.7
Oil, refining, marketing	8.7
Dow Jones Industrial Index	8.4
Personal services	8.4
Publishing	8.3
Hotels, motels, restaurants	8.2
Business data processing	8.1
NYSE Index	8.0
Oil, natural-gas services	7.7
Electronics	7.7
Investments	7.6
Cosmetics–personal	7.2
Building	7.2
AMEX Index	7.1
Banking	7.1
Rubber, plastic	6.8

Industry Group	Change In Value Jan. 1 To March 31 (Figures Are Percentages)
Tobacco	6.7
Machinery–heavy	6.7
Food–confections	6.6
Precision instruments	6.5
Food–packaged goods	6.4
Business services	6.2
Recreation–luxury	6.1
Electrical equipment	5.8
Utilities–gas, other	5.4
Media General Stock Index	5.4
Chemicals	4.5
Housewares, furnishings	3.9
Real-estate investing	3.9
Paper, packaging	3.2
Credit	2.1
Real estate	1.8
Utilities–electric	1.6
Freight, shipping	1.3
Metals–rare	0.7
Retail–miscellaneous	0.6
Oil, natural-gas production	0.0
Textile manufacturing	-0.1
Communications	-0.1
Retail–food stores	-1.4
Metals–nonferrous, coal	-1.5
Shoes, leather	-1.7
Textiles–apparel	-2.1
Retail–department stores	-2.4
Recreation–broadcasting	-3.3
Automotive	-3.7
Food production	-3.8
Metals–iron, steel	-3.9
Building–heavy	-13.8

SOURCE: MEDIA GENERAL FINANCIAL SERVICES

FINANCE

Capital Connections For Emerging Firms

Small companies that need expansion capital can make their pitch to a host of investment bankers all at once with a single appearance before the Regional Investment Bankers Association (RIBA). The group, based in Charleston, S.C., is a nationwide network of investment banks that specialize in helping start-up and family-owned businesses. Last year, the association's 150 member firms raised more than $2.6 billion for 201 growing companies. Four years earlier, $156 million was raised by 45 members in 52 offerings. A predecessor organization dates back to 1986.

ILLUSTRATIONS: GEORGIA LEIGH MCDONALD

RIBA's members convene for three-day conferences five times a year at garden spots around the country. During the conferences, about 30 companies, each sponsored by a member investment banking firm, make 30-minute pitches to the membership. The bankers then ask questions, meet company representatives informally, and make discreet inquiries. If a deal looks good, the bankers attending a conference make commitments to buy stock in the initial or secondary offering.

The regional investment banks fill an important niche untouched by the larger, Wall Street investment firms. "As a general rule, larger firms, with far-flung trading and investment-banking operations, can't profitably underwrite $5 million to $15 million equity deals," says Jeffrey Adduci, president of RIBA. But for the regional investment banks, a $7.5 million initial public offering is plenty of business, he says.

"Far from the whispers on Wall Street, this is how deals get done," says RIBA's chairman, Steven Putnam, president of Robert Thomas Securities, in St. Petersburg, Fla.

Take the case of Richard Smyth, president of Vista 2000, a start-up firm in Roswell, Ga., that manufactures and distributes home safety products. Smyth spent a tortuous year cobbling together a small initial public offering. He had little difficulty getting commitments on his own from several underwriters to take up small pieces of his deal, but he could not get them to work together to get the deal done.

Eventually, he sought help from two RIBA members: Greenway Capital of New York City, and Barclay Investments of Providence, R.I. They sponsored Smyth's presentation before the regional investment bankers' association last summer in Toronto and again last fall in Hilton Head, S.C. And he got results. Vista's $5.5 million initial public offering closed about a month after the Hilton Head presentation.

Adduci welcomes the opportunity for the regional investment bankers to play a role in financing small, growing companies. "This is where the jobs are," he says. "This is where the growth comes from."

And if you don't know the regional investment bankers in your area, call Adduci at (803) 577-2000 for a referral. "Our members are always looking for new deals," he says.

—David R. Evanson

The author is a financial-communications consultant and a writer in Ardmore, Pa.

HEALTH INSURANCE

The Perk For Peace Of Mind

A growing number of small businesses are signing up for deluxe executive health insurance for key employees, allowing them to see any doctor they want and be reimbursed for every dollar spent.

An executive plan is designed to pick up where the company's regular medical plan leaves off. It typically covers co-payments, deductibles, dental bills (including orthodontics), pre-existing conditions, vision care (including glasses and contact lenses), physical examinations, psychiatric care, and other services.

A company's underlying group plan must provide certain minimum benefits for the business to be eligible for the add-on insurance. Claims are first submitted to the group plan. The deluxe insurance makes up the difference.

Boston Mutual Life Insurance Co., in Canton, Mass., began offering the product 2 1/2 years ago. It now has more than 920 customers and says companies with 100 or fewer employees are driving growth. Sales of the executive health-insurance plan have increased 10 to 15 percent annually in recent years.

Similarly, Exec-U-Care, a product of Guarantee Mutual Life Co., in Omaha, Neb., has more than 2,000 customers, including many with just five or six employees.

While this perk probably helps companies attract and retain talent, the key appeal is tax savings. Eric Scoones, a consultant in the New York office of William M. Mercer, Inc., a benefits consulting firm, explains: "If a business owner pays someone $5,000 more in salary, that is taxable. If [the business owner] pays $5,000 in medical benefits under an insured plan, that is not taxable to the employee." And as with any company-paid health-insurance plan, the premium is deductible by the company.

Here's how this perk works: A business owner who opts for the Boston Mutual product would first choose the classification to be covered. This could be all persons above a certain salary level. Or it might be the president and all vice presidents. Or perhaps just the president.

Suppose that you choose to cover two employees with $10,000 each in family benefits, for an annual group maximum of $20,000. Of this, any amount up to $12,000 that is paid out by Boston Mutual to claimants is then billed to your company, plus a 12.5 percent fee. If participating families use the $12,000, your maximum liability is $13,500. The remaining $8,000 in benefits, if used, comes out of the insurer's pocket. There is also a small annual fee. The point where the provider starts paying is assigned by Boston Mutual Life according to a formula based on the benefit level you select and the number of employees you cover.

—Roberta Reynes

The author is a free-lance writer in Spencertown, N.Y.

TELECOMMUNICATIONS

Long-Distance Resellers Can Cut Phone Costs

Ardis Glace of Des Moines, Iowa, had three telephone lines, three long-distance carriers, and three telephone bills to decipher. As the owner of Impact Iowa, a public-relations firm, she had to sort through each telephone bill monthly to figure out which client to bill for each call.

Glace was paying 22 to 25 cents a minute for long-distance calls, which added up to about $300 a month.

Like many small-business owners, she was also being inundated with solicitations from companies trying to take over her long-distance service. She did her best to ignore them, but ultimately she did allow a consultant to analyze her telephone needs.

She ended up with one telephone company, one highly tailored bill, and rates of 14.5 cents to 15.5 cents a minute, for savings of about $100 a month.

If your small or medium-sized business uses a lot of long-distance time, you might be able to save that much or even more by changing from a long-distance company to a telecommunications reseller. Resellers buy big blocks of long-distance time at wholesale prices from the major carriers, then sell the time to small and medium-sized businesses at discounts of 10 to 25 percent off the major carrier's rate.

Your calls are still carried over the big companies' lines, so the ultimate product is the same, but with the reseller, your service may be more personalized, and your telephone bills could be lower.

The reseller industry was born when long-distance service was deregulated in 1984. An estimated 1,000 companies are in the business now, according to Ernie Kelly, executive director of the Telecommunications Resellers Association.

Resellers carry about 12 to 15 percent of the $61.5 billion long-distance industry, and their preferred customers are smaller businesses, Kelly says. Because the big three—AT&T, MCI, and Sprint—have traditionally been more concerned with serving residential and huge corporate customers, he adds, there is plenty of room for resellers to focus on smaller firms.

"Small-business people serving small-business people makes sense," Kelly says. "Our people are building small businesses themselves, so they can relate."

If you are considering switching telephone companies, examine your old bills and figure out exactly how much you're paying per minute. Then determine whether most of your calls are in-state or out-of-state and whether you're paying different rates for each. Armed with these numbers, call some resellers and find out what they offer. Or skip the math, and mail copies of your phone bills to the resellers. They'll do the calculations for you. (For a list of resellers in your area, write to the Telecommunications Resellers Association, 1155 Connecticut Ave., N.W., Washington, D.C. 20036.)

ILLUSTRATIONS: GEORGIA LEIGH MCDONALD

Find out not only the per-minute charge but also if there are any service fees, time-of-day restrictions, or different rates for in-state and out-of-state calls. Find out whom you would call for service. Ask also about calling-card rates, 800 numbers, enhanced billing, and access codes. Some resellers require you to punch in a code to get their discounts; others do not.

Also ask whether the company bills by the minute or by six-second increments. You can shave 10.5 percent off your bill by choosing the latter option with a 30-second minimum, an industry standard.

—Janine Latus Musick

The author is a free-lance writer in Columbia, Mo.

AUTO INSURANCE

Are You Covered For Business Use Of Your Car?

If you or your employees are using personal automobiles to call on customers or to conduct other business, you should check with your insurance company to see if you have the coverage you need. "Your personal auto policy might need a special rating for business use," says Rick Blank, an insurance broker with the Preferred Services Group, in White Plains, N.Y.

The additional coverage may cost around 15 percent more, but it can prove well worth it. "If you're properly rated for business use," says Blank, "the insurance company can't back out of a claim or backcharge you for the higher premiums."

You should also check into your employees' use of their cars while doing chores for your business. "I routinely ask my people to use their cars to run to the bank or the post office," says Fred Veith, president of Legion Wholesale Supply Co., in Erie Pa., "so my insurance agent suggested that my company get nonowned-vehicle coverage."

If you have registered your car in your company's name, you probably need a commercial auto policy. It costs up to 30 percent more than a personal auto policy with a business-use rating.

Whatever kind of policy you get, don't skimp on the liability coverage. "If you have considerable assets to protect," says Blank, "you should consider getting umbrella coverage for yourself and your company." An "umbrella" can provide millions of dollars of extra liability protection, and it's relatively inexpensive.

And then there is the rental-car situation. "If you have a personal policy with a business rating or a commercial policy," says Blank,

"you may or may not be adequately covered for the business use of a rental car."

"Talk to your insurance agent on a regular basis," says Veith, "so you know you're covered for whatever car is involved—personal, business, or rental."

—Peter Weaver

For a reprint of Small Business Financial Adviser, see Page 75. For a fax copy, see Page 39.

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Dr. Edward Tomkin

To Snore No More

In the U.S. alone, there are 25 million chronic snorers—people who nightly produce enough noise to waken others or to keep them from falling asleep at all. Most snorers are men, many are overweight, and the condition usually gets worse with age.

While the snoring spouse is a cliché, snoring can affect the efficiency of business as well. Among business travelers sharing a transcontinental flight or hotel accommodations, snoring can keep a colleague awake for hours.

But it's not just the nonsnoring companion who suffers: Studies have shown that snorers themselves don't sleep soundly either. They are disturbed by their own nocturnal noise. Loud snoring can also indicate a more serious medical problem.

Sleep apnea is a condition in which the snorer actually stops breathing for a short time, again and again, throughout the night. At irregular intervals, struggling for breath while his airway is obstructed, the snorer may waken briefly and be deprived of an uninterrupted night's sleep. Over time, sleep apnea can lead to hypertension or even cardiac arrest. So, snoring can be of real medical concern.

Fortunately, both snoring and sleep apnea—but especially snoring—may be lessened if you take some, or all, of the following measures:

- Lose weight.
- Avoid alcohol, tranquilizers, and sleeping pills; they relax the soft-palate muscle, blocking the airway and creating noise.
- Don't sleep on your back.
- Tilt the bed—with bricks, for example—to raise your head about four inches.

If snoring persists, surgery may be in order. Traditional surgical treatment, called a uvulopalatoplasty, is not undertaken lightly. It's a resection of the soft

ILLUSTRATION: WILLIAM COULTER

palate, uvula, tonsils, and, often, other tissues at the back of the throat. The procedure is performed under anesthesia and requires a hospital stay of a day or two; recovery takes about two weeks.

But now there's a relatively inexpensive and often highly effective alternative.

Because snoring occurs most often when the soft palate and the uvula (the tissue that looks like a bell clapper at the back of the throat) are so enlarged that they fall into the airway and vibrate loudly as air travels past, an effective treatment requires a reduction in the size of both.

That is precisely what happens in the new procedure: a laser-assisted uvuloplasty (LAUP). A trained otolaryngologist uses a laser to vaporize the excess tissue, reshape the uvula and palate (which can be up to three times larger than normal), and eliminate the obstruction of air.

Laser surgery for snoring was developed in Paris by Dr. Yves Victor Kamami. The use of various kinds of lasers for many different outpatient procedures has become more prevalent as the technology has progressed. There are now lasers for almost every surgical procedure involving the ear, nose, or throat.

The new technique to alleviate snoring is performed in steps and typically requires three to five sessions, with a four-week recovery period between each session. Because only local anesthesia is used, there is no hospital stay. It's an outpatient procedure performed in the physician's office.

And because only a small amount of tissue is "vaporized" each time, the surgery is usually no more painful than a trip to the dentist. And it's cost-effective. The outpatient procedure not only eliminates a hospital stay but also requires no time away from work. Business people and other professionals are usually very happy about that aspect of the treatment.

Unfortunately, if the snoring professional has a severe case of sleep apnea, laser-assisted treatment alone may not be enough (although the snoring will be reduced), and the traditional surgical treatment may be required. But for those with ordinary though chronic snoring or even mild sleep apnea, laser-assisted treatment can be effective.

Says dentist Robert Solomon, one of my patients who underwent the treatment: "My practice is so thoroughly demanding that the LAUP—which I completed in just three sessions—was ideal. The discomfort level was about what I'd expect from a tonsillectomy. That is, I took a mild painkiller between sessions. But I continued with my normal routine of seeing patients."

In his case, each session required between 15 and 20 minutes from beginning to end, including the injection of a local anesthetic and the wait for the anesthetic to take effect. Since the surgery, he reports being less tired, probably because he now sleeps more soundly.

The busy professional or business executive—or someone intent on climbing higher on the corporate ladder—may need to take snoring into account. Traveling colleagues will, after all, be grateful. The chronic snorer will be more alert and better rested, too. ■

Dr. Edward Tomkin is a board-certified otolaryngologist in private practice in Allentown and Bethlehem, Pa. He specializes in laser-assisted treatment for snoring.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

EXPORTING

A World View

I own a successful, product-driven business, and I am interested in taking the business overseas. Where can I find information on exporting?
T.P., Myrtle Beach, S.C.

The International Trade Administration of the U.S. Department of Commerce is a major source of general information on how small and midsize businesses can expand overseas. "As a general rule, most small companies should look to Canada, Australia, and England for initial expansion because of the language similarity," says Fred Elliott, an international-trade specialist at the agency. Elliott further recommends that you start by contacting the trade specialist in the Commerce district office nearest you. To find out whom to contact, call 1-800-USA-TRADE (1-800-872-8723), a clearinghouse for all federal agencies and government information concerning exporting.

The *Directory of Export Services* lists all the trade services provided by the Commerce Department and describes how to access them; it is free. Commerce's *National Trade Data Bank* includes research reports on more than 100 international markets; it is available for $35 on

ILLUSTRATIONS: MARTHA VAUGHAN

CD-ROM (compact disk, read-only memory). To order the directory or the research reports, call the 800 number above.

For practical information on exporting, see the May 1994 *Nation's Business* cover story, "A Good Time To Export." If you no longer have a copy of the issue, you can order reprint No. 9010 by calling 1-800-692-4000. The cost is $1.99.

FORESTRY

Tree Time

I need information on starting a business that would grow and harvest Christmas trees for the retail market.
P.U., Carlisle, Pa.

You can obtain basic start-up information and sound business advice from Michael Weaver, secretary of the 50-year-old, 500-member Pennsylvania Christmas Tree Association (PCTA).

A grower needs special shears, planting equipment, mowers, and sprayers, Weaver points out. The association's two annual conferences link growers with vendors of those items. The next conference is scheduled for August in Allentown, Pa.

Weaver also suggests that growers set up a distribution system early and plan to operate for several years before breaking even.

Annual membership dues in the association are $100, which includes information about the association and the quarterly *PCTA Bulletin*. You can call Weaver evenings or on weekends at his home in Orbosina, Pa., at (814) 447-3571.

AGRICULTURE

Mushrooming Enterprise

I operate a cottage business that grows and sells herbs. I want to expand my product line to include shiitake mushrooms. Where can I learn how to start?
O.T., Franconia, N.H.

Your business-expansion idea is a good one. Shiitake (pronounced shee-tah-kay) production in the United States started in 1972, when the U.S. Department of Agriculture permitted importation of shiitake culture, called spawn, from Japan.

In 1992, the latest year for which figures are available, 2.7 million pounds of shiitake mushrooms were grown and sold in the United States, compared with 738.8 million pounds of the common button mushroom.

Shiitake mushrooms' stems are taller than those of a button mushroom, and their caps are wider—they look like a wide-brimmed hat.

Jerry Larson, international trade manager for the Oregon Department of Agriculture, says, "The market potential for U.S.-grown shiitake has hardly been touched."

According to information compiled and published by the U.S. Department of Agriculture's Office for Small-Scale Agriculture, growing shiitake mushrooms requires placing the mushroom spawn—the seed—into an environment that will let it grow to maturity, namely on logs or artificial logs.

To grow shiitake, you must:

- Purchase high-quality spawn. It is the seed of the fungus that produces the mushroom. For a supplier near you, contact your county's agriculture extension agent.
- Obtain suitable logs—usually oak, maple, beech, ironwood, chestnut, or alder—3 to 4 feet long; they are cut green during the winter when the sap is down.
- Inoculate the logs one to three weeks after cutting. Drill holes part way into the logs, fill the holes with the spawn, and then seal them with wax to retain moisture.
- Allow the shiitake fungus to spread throughout the log. During this nine-month period, logs are stacked and put in a shaded area to maximize the internal moisture level.
- Encourage fruiting. After nine months, the logs are soaked and kept shaded to maintain the moisture level until fruiting begins.

Detailed information on shiitake cultivation is available without charge from the Agriculture Department's Office for Small-Scale Agriculture, Ag Box 2244, Washington, D.C. 20250-2244. You can make your request by phone, (202) 401-1805, or by fax, (202) 401-1804.

COLLECTIBLES

Small Beginnings

I am interested in starting a business that would sell collectible miniatures. Do you have any data that would support my belief that selling such collectibles can be profitable?
P.H., Dover, Del.

The Miniature Industry Association of America, an industry trade group based in Zanesville, Ohio, using a survey of 1992 sales, estimated that more than 80,000 collectors of miniatures spent $56 million on their hobbies that year.

Inventory can be acquired in museum shops, from catalogs, and at shows where miniaturists sell their work.

The National Association of Miniature Enthusiasts (NAME) holds an annual convention and several state and regional shows featuring workshops and expert speakers.

Miniature Gazette, a quarterly magazine published by NAME, includes a calendar of shows, a state-by-state directory of shops, and regional news.

Distribution is limited to association members; annual dues are $25 a year. For more information, write or call NAME, P.O. Box 69, Carmel, Ind. 46032; (317) 571-8094.

Other useful publications include the

monthly *Nutshell News* and the bimonthly *Miniature Collector*. Both publications cost $3.95 per copy, are available on newsstands, and contain calendars of shows, directories of shops, mail-order sources, and information on new products and other topics.

You also may want to visit two museums not far from you. One is the Delaware Toy & Miniature Museum, on Route 141 in Wilmington. For the facility's hours of operation and other facts, call (302) 427-8697.

The other place to visit is the Washington Doll's House & Toy Museum, 5236 44th St., N.W., Washington, D.C. For more details, call (202) 244-0024.

EXPANSION

Food Chain

I own one restaurant and hope to open others. Where can I learn the secrets of the leading restaurant chains' success?
B.Y., Madison, Wis.

This topic is detailed in *Winning the Chain Restaurant Game: Eight Key Strategies*, (John Wiley & Sons), by Charles Bernstein and Ron Paul. Bernstein, a journalist who has covered the industry for 23 years, and Paul, a consultant to restaurants and chains, set forth eight proven steps for building and maintaining a successful restaurant chain.

Included are chapters on leadership, motivation, customers, focus, marketing and merchandising, leveraging, and businesses' life cycles. Examples are culled from chain operators' experiences.

The book is $34.95 and can be ordered from the publisher at 1-800-879-4539.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Questions are answered only in this section; those selected for publication may be condensed. Writers will be identified only by initials and city.

Nation's Business Classified Ads

CLASSIFIED RATES AND INFORMATION

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) Fax: 202-463-3102 or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	2x	3x	6x	12x	— frequency
$64	$60	$56	$50	$36	— line rate
$890	$830	$780	$690	$480	— per inch display

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad),
Nation's Business Classified,
PO Box 1200, Washington, DC 20013.

AUTOMOTIVE

CORVETTES '53-'93. Well over 100 in one location. Free Catalog: ProTeam, Box 606, Napoleon, OH 43545. Ph. 419-592-5086 FAX: 419-592-4242. Corvettes Wanted.

BUILDINGS

STEEL BUILDINGS: From HERITAGE, delivered to your jobsite ready to bolt together. 5000 sizes, build it yourself and SAVE. Call with your building size: 1-800-643-5555. Heritage Building Systems, POB 470, N. Little Rock, AR 72115-0470.

FACTORY DIRECT. TOP QUALITY, STEEL BUILDINGS & SAVE COMMERCIAL, FARM ETC., EASY CONSTRUCTION, COMPUTER DESIGNED, GUARANTEED. FOR QUOTE - 1-800-494-2323

ARE YOU COVERED !!!

SAVE UP TO 45%

The Perfect Building While Supplies Last !!!

Buy factory Direct: 25 X 42 - 30 X 68
Build it yourself !!! 40 X 124-50 X 180

CALL TODAY
800-888-4606

BUSINESS FINANCING

ACCOUNTS RECEIVABLE FINANCING to $1,000,000. Direct lender with offices nationwide. Call AeroFund Financial. Approvals by phone. 1-800-747-4AFI(4234).

LOOKING FOR CAPITAL?

TCN introduces fast growing companies to active investors based on mutual business interests. The process is selective, efficient and confidential.

The Capital Network
(512)794-9398

BUSINESS FINANCING

$4,000,000 INVESTOR (Engineer,MBA,Marketeer) seeks non-controlling, silent or active business opportunity in USA or Canada. Earn $5,000 finder's fee. 713-561-5334.

BILLIONS OF DOLLARS AVAILABLE!
FREE GOVERNMENT GRANTS, LOANS AND MORE.
CALL (24 HRS): 1-(619) 599-3502.

SMALL BUSINESS "GOVERNMENT" LOANS AVAILABLE NATIONWIDE! It's easy when you know how! Call NIC Today. We've Got the Answers! 1-800-226-3601, Extension BF6560.

Free Government Money! Small Business/Entrepreneur Grants. Billions Available! Any Purpose. Never Repay! Free Infopak: Grantsearch, Box 880663-NB5, San Diego, CA 92168.

FINANCIAL CORPORATION EXPANDING NATIONWIDE-Branch opportunity. Exp. unnecessary. Mortgage Brokerage. Property Acquisitions. Reps needed. 1-800-969-0151

EQUIPMENT FINANCING * PHONE-A-LEASE * $5-50,000 NO FINANCIALS REQUIRED * PHONES/COMPUTERS/VOICE MAIL/FURNITURE * ADIRONDACK LEASING * 800-678-7342.

COMMERCIAL LOANS TO $200 MILLION
Construction, Refinancing, Acquisitions, SBA, Leasing "We Buy Seller financed Mortgage Notes & other Cash Flows."
NATIONAL BROKERAGE SERVICES 314-524-6667

BANKER BLOWOFF?

Tired of getting the runaround from bankers who really aren't lending? New database lists 1,000's of alternative lenders. Investors...aggressively financing higher risk business ventures.
Free info FAXed immediately! Call 800-580-1188

BUSINESS OPPORTUNITIES

RELOCATABLE BUSINESSES
Acquire established, going businesses you can relocate to your area. Mail order, publishing, distribution, other movable businesses that are for sale. Expand your horizons & your profits. For a free sample, detailed report on these businesses in the Relocatable Business newsletter, write Business Listing Service, Box 1246-NB, Highland Park, IL 60035, or call (800) 448-8567.

DISTRIBUTORS NEEDED - BIG PROFITS. Miniature satellite antennas for Homes, RV's, Business. Complete systems as low as $267. 1-800-886-5008

CAPITALIZE ON CRIME! Earn amazing profits on full line of crime prevention products that sell like crazy! Free wholesale catalog. 800-735-1797, POB 10154, #NB, Yakima, WA 98909.

CONSULTANTS. Conduct popular professional seminars. Nat'l. Qualification Training. Free info. Carlson Learning/Performax Field Mgr. Iris Randall 1-800-945-9140 NYC.

THOUSANDS OF BUSINESSES
1995 Franchise Annual Directory describes over 5,300 franchisors. Explains how to investigate. 548 new listings! "When you buy a franchise, you buy risk-reduction." $39.95 inclusive. Money Back Guarantee. INFO FRANCHISE NEWS, 728A Center St., Lewiston, NY 14092. VISA/MC. 716-754-4669

FOUND: LOST MONEY!

INC. 500 Co. will show you how to make big money recovering hidden overcharges in leases, freight, utility, and phone bills for businesses. Perfect PT/FT home business. NO EXPER. REQ. Under $7K start-up. Free info kit. CALL NOW! 1-800-962-0177.

BUSINESS OPPORTUNITIES

JOIN THE HOMETEAM! Home inspections are booming. Join one of the fastest growing franchises in the industry. Low invest/training provided. 800-598-5297.

ACQUIRE MY LIFETIME SELLING SECRETS: 1-900-226-SELL $9.95 for each week's new selling secret. 18+. Business Secrets Limited, Scottsdale, AZ 1-602-817-0069.

MONEY MAKING MACHINE! Curbmate machine installs beautiful concrete lawn edging. Customers love this new product. Amazing profits from this simple cash business. 801-262-7509.

BUS. FROM HOME. Natl. rapidly expanding co. in health & fitness. Incredible success. Top of the Industry. MLM $50K-$200K+ possible/yr. FREE training 1-800-434-8820.

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. J1556, Woodland Hills, California 91367

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $500,000.00. Free recorded message: 707-449-8600.(HS2)

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST. Top finder's fees paid. Dept 595NB1, IMEA, 419 N. Newport Blvd. Ste. B, Newport Beach, CA 92663-4271. 714-722-9260

DRAMATICALLY CHANGE YOUR PERSONAL & FINANCIAL LIFE! Free, exciting, hour cassette. Success Essentials, PO Box 2948, Corona Hills, CA 91718-2948.

PERSONAL COMPUTER OWNERS CAN EARN
$1000 to 5000 Monthly selling simple services part time. Get free list of 100 best services. Write: C.K.E.F. PO Box 48420 Mpls, MN 55448

#1 MONEY MAKER Spare Time! No selling! No inventory! Publicly documented seven week $19,919 income! Free audio cassette and Report reveal everything. Real Money 333-NB65 SW 5th Street, Grants Pass, OR 97526

MAKE YOUR DREAM COME TRUE. EARN $75,000 YEARLY REPAIRING, NOT REPLACING, Small Cracks in Windshields. TOLL FREE 1-800-826-8523 (US/Canada) or write: GLASS MECHANIX, 4555 NW 103 Ave, Ft. Lauderdale, FL 33351.

JEWELQUEST
Quality Fashion Jewelry Distributorship Opportunity
Start for only $15 OR for $30 Also Receive A 14K Goldplate Austrian Crystal Tennis Bracelet. FREE info 800-771-4566

MEDICAL INDUSTRIES'
FASTEST GROWING SEGMENT!
Broker Medical Equipment From Home
Lab-Surgery-XRay-CT-Biomedical-Surplus. Complete Start-up Guide includes industry sources, US & Foreign, trade publications, online BBS sources, sample contracts, a 500 piece equipment listing with easy to read tutorial, survey forms and invoices.
MEDICAL BACKGROUND NOT NECESSARY!
Complete Start up Kit for only $79.
HMS, Remarketing Guide, PO Box 3021,
Pensacola, FL 32516-3021
VISA/MC 904-444-2932
FL. Residents add $5.53 sales tax.

#1 CAREER / BUSINESS VENTURE
LUCRATIVE COMMISSIONS, ONGOING RESIDUALS

PROVIDE SERVICES TO BUSINESSES ACCEPTING CREDIT CARDS.
WORK FROM YOUR HOME OR OFFICE
ONGOING RESIDUALS, F/T - P/T
ELECTRONIC PROCESSING, INC.
1-800-669-7228

BUSINESS SERVICES

GET PAID NOW! If you have past due accounts/bad checks, discover the secrets of professional debt collectors. Call 24 hrs. 408-261-1137 Ext. 1037 from your fax machine-receive FREE REPORT faxed to you! Request document #402.

DECREASE WORKER'S COMP COSTS
Increase Profits with our Ergonomic Consultant Kit. Be Prepared to meet the new "OSHA Ergonomic Compliance Laws" Only $10. 800-554-ERGO

BUSINESS SERVICES

Accounting, Bookkeeping, Tax, Payroll, Business Planning, Consulting, Services, Complete Mktg. & Practice Building Program. New Manual & Disk. For info call 1-800-993-7993

SAVE$$$ Tax Break! Avoid Costly lawsuits! 101 easy ways to comply w/Americans w/Disabilities Act. Illustrated $5. To: CTC Acess Group, PO Box 509, Cypress, CA 90630

TELEMARKETING-PROVEN RESULTS-Market Surveys-Lead Generation-Order Entry-Referral/Locator Service-Sales/Lead Capture-Call ANSWER AMERICA Today 800-CLUB-NOW(258-2669)

YOUR COMPANY LOGO IN BRASS
Impressive wall logos of brass, chrome, or other cost effective finishes. Free estimates. METAL LOGOS, INC.
800-846-LOGO(5646) Fax: 402-339-2311

CREDIT CARD MERCHANT ACCOUNTS
New/Home Based OK. Mail/Phone Order OK. 800-828-3846 Bank of Oakland, Humboldt Bank, First Bank of Beverly Hills, Tehama County Bank, Redding Bank of Commerce

BACK OFFICE SERVICES
Successful Management Service-Est. 1969-NYC has unusual opening for additional client. All Services: US Customs Clearance, Warehousing, Shipping, Billing, Factoring, Accounting, Returns & Collections. Flat Reasonable Fee. Tel 212-949-7050, Fax: 212-949-6919 Mr. Jay

New 800 Voice Mail Service Uses National Caller I.D. to Identify Calls From Anywhere in the U.S., Including Long Distance, Unlisted, & Blocked #'s

☎Know where sales calls or field employees call from ☎Eliminate lost sales opportunities ☎Pager Notification ☎Corporate Networks ☎Group Messages ☎Electronic secretary "Jane" sends wake up calls & reminders to any U.S. location. *Low Cost* **CIA Voice Mail 1.800.417.1296**

3-To-A-Page Business Checks
Save 30-50%
$19.95 +S&H
Enhance your company's image with unique check designs. Choose styles to fit your needs. Call Designer Checks for a free brochure.
1-800-239-4087

PROBLEM?
WORKER'S COMP
MID ATLANTIC CONSULTANTS, INC.
Introducing a Unique Solution for Worker's Compensation for Large and Small Companies.
Offices Coast to Coast.
Call for Free Information:
(214)259-1022 FAX (214)259-2214

BUY IT WHOLESALE

WHOLESALE SOURCES-Direct Factory Suppliers. 29,430 American, Mexican, & Oriental products. All types, no retail. Write: Crestco-N995, 668 Main St., Wilmington, MA 01887

CALL CARDS/LONG DISTANCE

13¢MIN. 800# OR LONG DISTANCE COAST TO COAST. Call Cards. No Fee. Intl. None Better/Proven Reliable. FiberOptic/Digital. GOOD DEAL. Check it out 1-800-564-4348

CARPET

CARPET-VINYL-HARDWOOD-BRAIDED & CUSTOM RUGS-ORIENTALS. Mill-direct. Look No Further. Guar.Lowest Prices. Warranties. Free Quotes/samples. 800-548-5815. Dalton, GA

ABC Floor Products-Carpet, Rugs, Vinyl. Major brands. Save 30-60%. For home, office or church. Shipped direct to your door. 1-800-275-0816, Ext. 101.

CARPET

CARPET—Save up to 50% & more on major brands. We also manufacture our own beautiful styles. For information & samples, call 1-800-848-7747, Ext. 45. Dalton, Georgia

COMPUTER SOFTWARE

Measure Customer Satisfaction
Award-winning SURVEY PRO™ makes TQM surveys fast, easy & affordable
Call (800) 237-4565 x365 or Fax (415) 694-2904
Apian Software, Inc.

EDUCATION

FINISH BA/MS/MBA/PhD/JD by corr. CityUnivLA, 3960 Wilshire Blvd., LA, CA 90010. New 'College Drop-Outs' Program. Call for immed. discussion. 800-262-8388/213-382-3801

PARALEGAL GRADED CURRICULUM. Approved home study. Most affordable & comprehensive. 100 yrs. of legal training. FREE CATALOG. 1-800-826-9228. BLACKSTONE SCHOOL OF LAW, PO Box 871449, Dept. NB, Dallas, TX 75287.

BACHELOR'S, MASTER'S DEGREES
by self-paced home study. Credit for formal education, life/work experience, Military service/courses. Specialized training. SOUTHWEST UNIVERSITY, 2200 Veterans Blvd., Kenner, LA 70062. (800) 433-5925 or 433-5923

OWENS ASPHALT TECHNOLOGY UNIVERSITY. MBA, BS, MS, PhD. Approved Financial Aid Available. DEGREES: Asphalt, Pavement, Infrared, Concrete, Environmental Technology, Engineering, Health & Law, Quality Control, Marketing & Finance, Administration. Admissions: PO Box 740303, Houston, TX 77274. 713-726-0903

COMPLETE YOUR COLLEGE DEGREES AT HOME!
Approved, self-paced, economical Associate, Bachelors,Masters,Doctorates. Business Administration, Health Care, International Business,Human Resources, MIS), Computer Science, JD/Law, Psychology, Technology, Management. Southern California University for Professional Studies. 1840 E 17 St-NA, Santa Ana CA 92701. 800-477-2254

NO-CLASSROOM COLLEGE DEGREE!
Earn your no-classroom college degree in Business, Liberal Arts, or Nursing using Moore's successfully refined study program. Choose from several accredited universities.
Call now for more information!
Moore Educational Publishers
1-800-737-2222

EMPLOYMENT

EXCELLENT EXTRA INCOME! Assemble easy craft products at home. Easy/fun to do! Nation's most reputable program. Guaranteed! For Info Call 1-800-377-6000, Ext. 6560.

FINANCIAL SERVICES

FREE INVESTMENT LETTER
For the 90's and Beyond. EIGER, 635 Danbury Rd., Ridgefield, CT 06877. 203-431-2977

FREE catalog. REVOLUTIONARY CONCEPT. Tools to Help You Pay off All Debts Faster Using Current Income!! Maranatha Financial, 2183 Larchdale Dr., Cuyahoga Falls, OH 44221

FRANCHISE OPPORTUNITIES/SERVICES

FRANCHISE YOUR BUSINESS with the nation's largest & most experienced franchise consulting firm. Over 18 years in business. Attend a seminar conducted by the only management consulting firm that has helped more than 600 businesses become franchisors. Call for information about 'Franchise Your Business' Seminars scheduled throughout the country. FRANCORP, 1-800-877-1103

FRANCHISE OPPORTUNITIES/SERVICES

FRANCHISE YOUR BUSINESS
With the leading consulting firm in the country
McGROW CONSULTING (800) 358-8011

Franchise Your Business
20+ Years Experience
National Franchise Associates, Inc.
800-377-7478

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(In N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

PREMIUMS & INCENTIVE GIFTS

Timely Reminder

Special Sampler Offer—Just $19.50.
For our *deluxe* logo watch. Never-fade guarantee. *Lifetime warranty.* Specify man's or woman's size. Send your color logo on stationery or business card and $19.50 *per* watch (plus sales tax in CA only). Limit: 5 per customer. Order now.
Great American Images
One Waters Park Drive
Suite 213-NB
San Mateo, CA 94403
Tel: 415-358-0800
Fax: 415-358-0543

Prestige Images
1-800-446-4403
Superior stitching of fine detail will enhance the image of your company logo. Quality and turnaround time are unmatched with our state of the art equipment and in-house design team. From caps to customized leathers, we can provide our full line of apparel to you for that unique gift or upcoming corporate event.

Call for our catalog
*Tee Shirts from $6.45
*Polo Shirts from $11.95
*Sweat Shirts from $12.25
*on quantities of 21 dozen.
Price includes embroidery up to 5,000 stitches in seven colors.
Embroidery Means Prestige!

INVENTIONS

FREE INVENTION PACKAGE: Davison & Associates offers customized Development, Patenting & Licensing of new products & ideas. Proven results: 1-800-677-6382

INPEX- World's largest invention show! 1500 Exhibits expected from 35 countries. Invention/technology/licensing/sales opportunities. May 18-21, 1995. Attend/Exhibit! 1-800-422-0871.

LEGAL SERVICES

PATENT & TRADEMARK ATTORNEY in Boulder, CO provides quality patent & trademark services for individuals & companies nationwide via mail at affordable fixed fees.John Flanagan: 303 449-0884/Fax 303-449-3532 for free info. about services.

ON YOUR MARK TRADEMARK REGISTRATIONS will prepare, file & prosecute your federal or state trademark registration application for a reasonable flat fee. No hidden hourly rates. For your free package, call 1-800-715-MARK or write to us, attn: Cherie Radcliff-Morfe, Esq., 9715 W. Broward Blvd., Ste. 301, Ft. Lauderdale, FL 33324.

INTERNATIONAL LONG DISTANCE

ECONOMIC WORLD CALLING/THE SMART CHOICE

Low Intl. Calling Rates. 24 hrs./7 days/all year. To 200 Countries. Fiber Optic. Per min. rates: Australia-France-Germany 45¢, UK 39¢, Japan 50¢, W. Europe 45¢-50¢ etc. Intl. call back service available for business or personal. You don't have to switch-keep current carrier. No fees, no minimum, no hidden charges. No obligation. Tel/Fax: 904-446-1201.

MAIL ORDER

MILLIONAIRE Mailorder Expert Reveals Money-Making Secrets! Free, exciting hour cassette. Melvan Powers, 12015 Sherman Rd. No. Hollywood, CA 91605. (818) 765-8618.

MAILING LISTS

BUSINESS/CONSUMER Lists! Fresh, responsive names. Select locally, nationally from 14 million businesses, professionals, 100 million consumers. Specialty lists, phones, & many formats of computer disks available. AMEX/MC/VISA. AccuData: (800) 732-8340.

NEWSLETTERS

Find middle ground with Center Field, the weekly news bulletin of vital information for independent thinkers. By FAX or mail. $29.95/year. Call 800-692-KNOW for FREE Sample.

OF SPECIAL INTEREST

FLAGS * BANNERS * FLAGPOLES * CUSTOM DESIGNS
CATALOG $2.00 Refund. w/order. Major credit cards accepted
THE SPIRIT FLAG COMPANY 1-800-450-FLAG

TRAVEL

LONDON FLATS
HOLIDAY-BUSINESS TRAVEL
THE LONDON CONNECTION
801-393-9120 / FAX: 801-393-3024

Wholesale International Airfare

No advance purchase

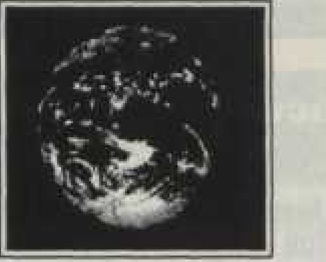
Africa, Europe, Orient, Russia, South America, United Kingdom

Nationwide Departures
800-527-2589 ext. 124 • FAX: 214-934-9634

WATCHES

REPLICA SWISS WATCHES
18K Goldplated! Lowest Prices! 2Y Warranty
Waterproof. PH: (404) 682-0609 FX: (404) 682-1710

A World Of Opportunity



Awaits

There is a world of opportunity waiting for you at Jani-King. Jani-King is the largest commercial cleaning franchisor in the world and is backed with twenty-five years of experience. Jani-King provides professional training, start-up contracts, equipment leasing, insurance and much more. Franchise opportunities range from $6,500 to $14,000 +, depending on area purchased. Call now and join the best in the business.

Jani King

(800) 552-5264

© Jani-King International, Inc. 1994

Circle No. 8 on Reader Service Card

Earn The Living You've Dreamed Of... Right In Your Own Dream House!

Live in a stunning Eagle's Nest home with design features not found elsewhere at twice the price.

Models as low as $17 per sq. ft.

Earn $5,000 to $15,000 per home...

- Quality
- Design Flexibility
- Keep Present Employment

All you need to get started is a $5000 house deposit for your own business or private use.

For a FREE full color brochure:
Call Mr. Nations at 1-800-579-1079 (24 hrs.)
Fax: (404) 720-7605, or write:
Eagle's Nest Homes, Inc.
205 Eagles's Nest Drive
Canton, GA 30114-7972

Circle No. 31 on Reader Service Card

Why Are You Working For Someone Else?

You can now earn $4,000 to $10,000 per month performing needed services for your community from your home with a computer. Over the last 11 years we have developed 25 different services that are now being performed by couples and individuals all over the United States. You can start earning money immediately. No experience is necessary. You don't have to own or know how to run a computer. We provide training. Working for someone else will not get you and your family what you deserve.

Call:

1-800-343-8014, ext. 1671

and we will send you FREE, two cassette tapes and a full-color information package that will show you how to start your own business immediately. Financing available.

Computer Business Services, Inc.
CBSI Plaza, Ste. 1671, Sheridan, Indiana 46069

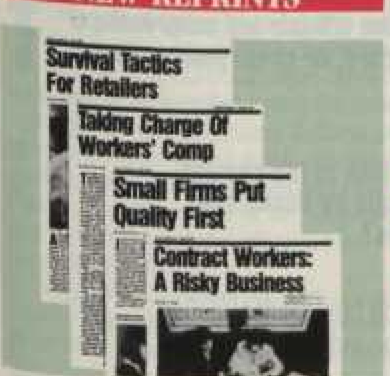
VISA

Nation'sBusiness

NEW REPRINT PACKAGES!

Reprints Help You Control Your Company Benefits, Sales, and Profits!

NEW REPRINTS



***RESTORING THE AMERICAN DREAM** **#9058**
The new Republican majority in Congress has a long-range plan to dramatically change the size and functions of government. (Page 18)

***THE VIRTUAL FUTURE** **#9059**
Convergence of the information, arts, and entertainment industries can help firms improve management and sales. (Page 45)

***BRUSHING UP ON CUSTOMER TLC** **#9060**
Companies are finding inexpensive ways to improve employees' service skills. (Page 42)

***SMALL BUSINESS FINANCIAL ADVISER** **#9061**
The markets' rally; capital connections; health coverage at the top; lower long-distance rates; and car insurance. (Page 65)

SPECIAL REPRINT PACKAGES

Six Reprints For The Price Of Five! Save 20% On Special Reprint Packages!

BUYING SMALL-BUSINESS INSURANCE (#9004) **($9.95)**

- Key People, Key Protection (#8938)
- Business Insurance Will Cost You More (#8963)
- Carriers Rediscover Small Business (#8982)
- Prepare For The Worst (#8972)
- Insurance Trends Break The Cycle (#8905)
- Business Lessons From A Disaster (#8948)

RAISING CAPITAL FOR SMALL FIRMS (#9005) **($9.95)**

- Creative Ways To Raise Capital (#8929)
- Helping Small Firms Borrow Money (#8874)
- Smart Ways To Manage Cash (#8901)
- Seed Funds For The Smallest Start-Ups (#8918)
- Alternative Ways To Find Capital (#8885)
- Cashing In On 504 Loans (#8986)

NEW MANAGEMENT STRATEGIES FOR SMALL BUSINESS (#9006) **($9.95)**

- Contract Workers: A Risky Business (#8967)
- Combating Business Crime (#8996)
- A Flexible Style Of Management (#8983)
- Re-engineering Your Company (#8992)
- Leasing Workers (#8919)
- Managing From A Distance/Telecommuting (#8934)

QUALITY CUSTOMER SERVICE (#9007) **($9.95)**

- Survival Tactics For Retailers (#8960)
- What Do Customers Think Of Your Firm? (#8942)
- Where Quality Is A Language (#8930)
- Your Secretary's Pivotal Influence (#8973)
- Call It "Supplier Satisfaction" (#9011)
- When "Just In Time" Just Isn't Enough (#8920)

CURBING WORKERS' COMP COSTS (#9008) **($9.95)**

- Taking Charge Of Workers' Comp (#8976)
- Fighting The High Cost Of Workers' Comp (#8783)
- Controlling Wrist And Back Injuries (#9027)
- Health Reform Aims At Workers' Comp (#8959)
- Workers' Comp Costs Out Of Control (#8895)
- Helping Injured Workers Heal (#9013)

TOTAL QUALITY MANAGEMENT FOR SMALL BUSINESS (#9009) **($9.95)**

- The Power Of Employee Empowerment (#8962)
- Quality Standards That Can Open Doors (#8920)
- How To Get Your TQM Training On Track (#8917)
- Small Firms Put Quality First (#8888)
- Turn Your Workers Into A Team (#8896)
- Creator Of Quality Habits/Stephen R. Covey (#9015)

NOTE: Individual reprints may be selected from Special Reprint Packages at the single reprint rates listed on the order form. Individual reprints are in black and white only. Color reprints may be special-ordered.

**Can't wait? For immediate service via fax, see Page 39.*

Nation'sBusiness Order Form

Send to: Reprint Manager, 1615 H Street, N.W., Washington D.C. 20062-2000

ORDER TOLL-FREE **1-800-692-4000**
OR FAX **1-202-463-5641**

Method of Payment
- ☐ Bill me ($9.95 Minimum)
- ☐ Check or money order enclosed
- ☐ Bill my credit card ($9.95 Minimum)
- ☐ VISA ☐ MasterCard ☐ American Express

Card # ____
Exp. Date ____
Signature ____
Name ____
Address ____
City ____
State ____ ZIP ____

QTY	REPRINT NAME AND NUMBER	UNIT PRICE	TOTAL PRICE
	SUBTOTAL		
	CA & D.C. SALES TAX		
	SHIPPING		FREE
	TOTAL		

REPRINT RATES

Single Reprint Rates

1 To 9 Copies	$1.99 ea.
10 To 29 Copies	$1.49 ea.
30 To 99 Copies	$1.19 ea.
100 To 999 Copies	$.99 ea.

Reprint Packages: $9.95

NB0595

Your Order Is 100% SATISFACTION GUARANTEED

Where I Stand

On A New Way To Tax

Background: Last month, we sought your general views on tax reform. Now, we'd like your views on more-specific aspects of reform proposals made by key members of Congress. For an overview of major reform plans, see the April cover story.

Results of this poll will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid response card. Or circle your answers below and fax this page to (202) 463-5636.

1 What should be done about the current income-tax system?

1. Replace it
2. Adjust it
3. Leave it alone

2 What should receive the highest priority in shaping a new tax system?

1. Encouraging savings and investment
2. Increasing simplicity and compliance
3. Reducing the current tax burden on individuals and corporations
4. All should be treated equally

3 How should a new tax system treat savings and consumption?

1. Favor savings
2. Favor consumption
3. Treat them equally

4 When compared with today's system, what aim should a new tax system have?

1. More progressive (rich pay more)
2. More regressive (poor pay more)
3. About the same

5 What do you think of the current mix of taxes paid by businesses and individuals?

1. About right
2. Too heavy on businesses
3. Too heavy on individuals

6 Would you approve a new tax code that raised your taxes but cut paperwork and compliance costs by a greater amount, resulting in a net reduction?

1. Yes
2. No

7 How important is it to you that a new tax structure give you a rebate on your exports while applying a comparable tax on foreign imports?

1. Very important
2. Slightly important
3. Unimportant

8 What is more important to your business?

1. Complete first-year expensing of all investment (buildings and equipment)
2. Current depreciation rules and deduction for fringe benefits

Send Your Response Today!

POLL RESULTS

Readers' Views On Regulations

Three out of four respondents to a recent *Nation's Business* poll find federal regulations "burdensome" and say they get poor help or "no help at all" from bureaucrats when they seek technical guidance on complying with the rules.

Responding to the Where I Stand poll in the March issue, about two-thirds cited as the most onerous those rules pertaining to the environment, workplace safety and health, and employment and civil rights. Also, 80 percent of the respondents said the costs of complying with federal regulations added more than 5 percent to their operating expenses.

Congress is considering legislation to ease the regulatory and paperwork burdens on U.S. businesses and to overhaul the way rules are devised and issued by the federal government.

REGULATIONS

How would you characterize the requirements your company faces to comply with various federal regulations?

Light	5%
Manageable	17
Burdensome	78

Which categories of federal regulations do you find to be onerous? (Circle all that apply.)

Environmental	66%
Workplace safety and health	63
Consumer product	28
Employment and civil rights	66

How much do the costs of complying with various federal regulations add to your operating costs?

0 to 5 percent	20%
6 to 10 percent	36
11 to 15 percent	22
16 to 20 percent	11
More than 20 percent	11

What has been the impact on your firm's employment as a result of complying with federal regulations?

Had to hire additional workers	25%
Provided overtime to some employees	17
Cut back hours of some workers	9
Eliminated jobs	28
No impact	21

How would you rate the adequacy and timeliness of the technical assistance you receive from federal agencies in complying with their regulations?

Excellent	1%
Good	3
Average	20
Poor	43
No help at all	33

To what extent do you have to comply with similar regulations from both federal and state agencies?

A great deal	45%
Somewhat	50
Not at all	5

Commentary

Historic change has marked Richard L. Lesher's 20 years as U.S. Chamber president.

By Robert T. Gray

Pressing Business's Goals For A Healthy Economy

Washington developments of the mid-1970s were discouraging, even depressing, for the business community. Political backlash from the Watergate scandal had ousted a Republican president and strengthened liberal control of Congress. The future appeared to hold little but continuing high taxes, runaway spending, and increasing regulation.

Against that background, one prominent business leader made a statement that appeared at the time to set a new high in optimism. The nation, said Richard L. Lesher in 1977, was actually on the brink of a conservative era that would see the achievement of many of the business goals crucial to a healthy economy.

PHOTOS: T. MICHAEL KEZA

Then: *Lesher welcoming President Reagan to the U.S. Chamber.*

Lesher, who had become president of the U.S. Chamber of Commerce just two years earlier, recalls the forecast he made in an early morning radio interview with Larry King, which prompted thousands of people to attempt to call:

"It was very clear to me that we were going to have a rebellion and a rebound. If you looked closely, you could see the first wave of public dissatisfaction with the liberal mentality. People were fed up—fed up with taxes, with spending, with regulatory zealotry."

Lesher, now observing his 20th-anniversary year as head of the Chamber, the nation's largest broad-based business federation, says the first phase of the new conservative era began with the first presidential election following his prediction—the victory of Ronald Reagan. The second phase was launched, Lesher adds, with the 1994 election of a GOP-controlled Congress committed to pro-growth policies for which the Chamber had long fought.

The agenda of this Congress "is our agenda," Lesher says. "It is also the agenda of the general public, which is another way of saying that democracy really works."

The Contract With America, with which the GOP won control of the U.S. House of Representatives in November, and the U.S. Chamber's National Business Agenda, representing the views of the grass-roots membership, line up foursquare with each other, Lesher points out.

Watching the evolution of Chamber goals into national policy is probably the most rewarding aspect of his two decades as head of the organization, says the Chamber president.

Lesher came to the Chamber from the presidency of the National Center for Resource Recovery, and he was previously a member of the National Aeronautics and Space Administration's management team for the first moon-landing program.

Among Lesher's innovations at the U.S. Chamber:

- A communications operation that is the most advanced and effective of any business organization's. It includes "It's Your Business," the weekly TV debate program, and the daily "First Business" TV news show.
- The National Chamber Litigation Center, which represents business in the courts.
- An international division in the forefront of U.S. efforts to remain competitive in world trade.
- The National Chamber Foundation, a public-policy research unit.
- The Center for Workforce Preparation, which seeks to improve the nation's education and worker-training systems.
- A powerful grass-roots system for getting business views to Congress at strategic points in the legislative process.
- The Small Business Center, a primary source of information on legislative issues and other concerns of smaller firms. It is a resource not only for Chamber members but also for Congress, federal agencies, and the news media.
- A broadened appeal to business that has seen membership grow from 52,000 when Lesher first took over to nearly 220,000 today.
- The Blue Chip Enterprise Initiative, which honors small-business people who have used particularly innovative survival techniques to bring their companies through crises. It is sponsored by the Chamber, Connecticut Mutual Life Insurance Co., and *Nation's Business*.

The key to those and the many other achievements of the past 20 years, Lesher says, was creating a "really first-class" board of directors.

Lesher tempers his pride in what he sees as the premier achievement of his tenure—the transformation of Chamber goals into national policy—with a warning against complacency. As he begins his 21st year as head of the U.S. Chamber of Commerce, he says:

"The Contract With America is a wonderful start, but it's just that—a start. It is going to take a long time to correct 40 years of abuse. Those of us who believe that those abuses must be ended have to continue to work to make sure it gets done." NB

Now: *With Speaker Newt Gingrich following a televised town meeting.*

Robert T. Gray recently retired after 26 years with Nation's Business, *13 as editor.*

Editorial

Beyond The Contract: Business And The New Era

Accepted political wisdom has held that "all politics is local," that home-area concerns even dictate voters' decisions on their members of Congress. Last fall, however, Republican candidates for the U.S. House of Representatives joined in a unique political experiment challenging that concept. They signed a document called the Contract With America, pledging to vote within 100 days of taking office on a 10-part national agenda calling for basic change in such areas as fiscal policy, crime control, welfare, national security, job creation, and civil justice.

The Contract's strong commitment to change was a major factor in the election of the first Republican-controlled Congress in 40 years.

House members met their promise by completing action on the Contract a week ahead of schedule. This accomplishment is greater than the sum of its parts.

It puts the nation on the road to what House Speaker Newt Gingrich, R-Ga., says is the ultimate goal: "to totally remake the federal government, to change the very way that it thinks, the way it does business, the way it treats its citizens."

He promised to "begin a new partnership so that together, we and all of the American people can give our children and our country a new birth of freedom."

Business will be an important element in that partnership, not only helping to develop recommendations to foster job-providing enterprises but also rallying the support needed to transform those proposals into public policy.

In short, business needs to make the same contribution to enacting the post-Contract agenda that it did to winning House approval of the Contract provisions themselves.

A prime example of the type of business leadership that helped bring the Contract to fruition is that provided by the U.S. Chamber of Commerce.

The Chamber's activities included two national "town-hall" meetings telecast via satellite. Among the participants were Speaker Gingrich; Majority Leader Richard K. Armey, R-Texas; Rep. John A. Boehner, R-Ohio, House Republican Conference chairman; Rep. Susan V. Molinari, R-N.Y., conference vice chairman; and freshmen GOP members of Congress. Business audiences watched at 3,200 sites for the first meeting and 3,800 sites for the second.

PHOTO: T. MICHAEL KEZA

Speaker Newt Gingrich, *Rep. John A. Boehner, and fellow House Republicans celebrate completion of the Contract at an April rally.*

The Chamber, which is the nation's largest broad-based business organization, also gained support for the Contract through:

- Press conferences supporting efforts of members of the House to gain attention for specific provisions.
- Numerous direct contacts with members of Congress.
- News reports and interviews with members of Congress on the Chamber's nationally syndicated weekday news show, "First Business."
- Public-policy debates on its weekly syndicated public-affairs television program, "It's Your Business."
- Op-ed articles published in newspapers.
- Grass-roots support via GAIN, its 41,000-member activist network, as well as by its legislative staff in six satellite offices, and its 120 telemarketing employees.
- Numerous appearances before congressional committees.
- Availability of officials of the organization to the media, including appearances on radio talk shows, and a strategy of gearing Chamber executives' speeches to the goal of winning approval for the Contract.
- Producing broadcast and print ads.

Not all organizations, of course, have the advanced communications facilities, breadth of membership, grass-roots networking capability, and lobbying resources that the U.S. Chamber has developed. But other organizations and individual businesses can, and should, do whatever they can to build and sustain support for Senate completion of action on the Contract With America and for enacting the post-Contract legislation needed to complete the job that has been so well begun.

NB


The new line of IBM PC Servers.

The difference between running a network and having a network run you.

300 320 500 720

IBM PC Server 300:
Intel® 486DX2/66MHz processor or 60MHz Pentium® processor, EISA/PCI, 8MB parity memory expandable to 128MB, 728MB hard drive, 8 open slots, 9 bays.

IBM PC Server 320:
Intel 90MHz Pentium processor, multiprocessor enabled, EISA/PCI, 16MB parity memory expandable to 256MB, ECC on SIMM optional, 256KB of L2 cache, SCSI-2 fast and wide, 6 open slots, 9 bays, standard CD-ROM.

IBM PC Server 500:
Intel 90MHz Pentium processor, MCA, 32MB ECC memory expandable to 256MB, 256KB of L2 cache, SCSI-2 fast and wide, 6 open slots, 18 bays for hot-swappable drives, RAID-0, 1, 5 enabled, standard CD-ROM.

IBM PC Server 720:
Intel 100MHz Pentium processor, 1- to 6-way SMP, 64MB ECC memory expandable to 1GB, 512KB of L2 cache and 2MB of L3 cache, SCSI-2 fast and wide, 7 MCA/PCI combination slots, 18 bays for hot-swappable drives, RAID-0, 1, 5 enabled, standard CD-ROM.

All Models:
30-day money-back guarantee, 3-year on-site warranty[1] (same-day service on 500 and 720, next-day on 300 and 320).

Ask people who manage networks what they want in a PC server and everybody says the same thing: "Something to make life easier." So here they are—the new line of IBM PC Servers.

Along with the IBM PC Server 300 for small LANs and the 500 for enterprise networks, we introduce the IBM PC Server 320 with increased flexibility for expanding networks, and the 720, a superserver with highly advanced and easy-to-upgrade 1- to 6-way SMP.

So how do they make managing your network more manageable? First, with our new PC Server Start-Up support[1]—a part of HelpWare®— you can call us for free for the first 90 days and we'll handle any IBM and non-IBM installation or configuration problems. There's Server Guide, our CD-ROM software that streamlines setup and automatically fine-tunes for optimum performance. And finally, DMI-compliant NetFinity,™ our industry-leading software that manages both your PC server and PCs.[2]

That's making life easier. For complete details, call 1 800 IBM-4FAX (enter #3543). Or visit your IBM Authorized Business Partner.

There is a difference℠ IBM®

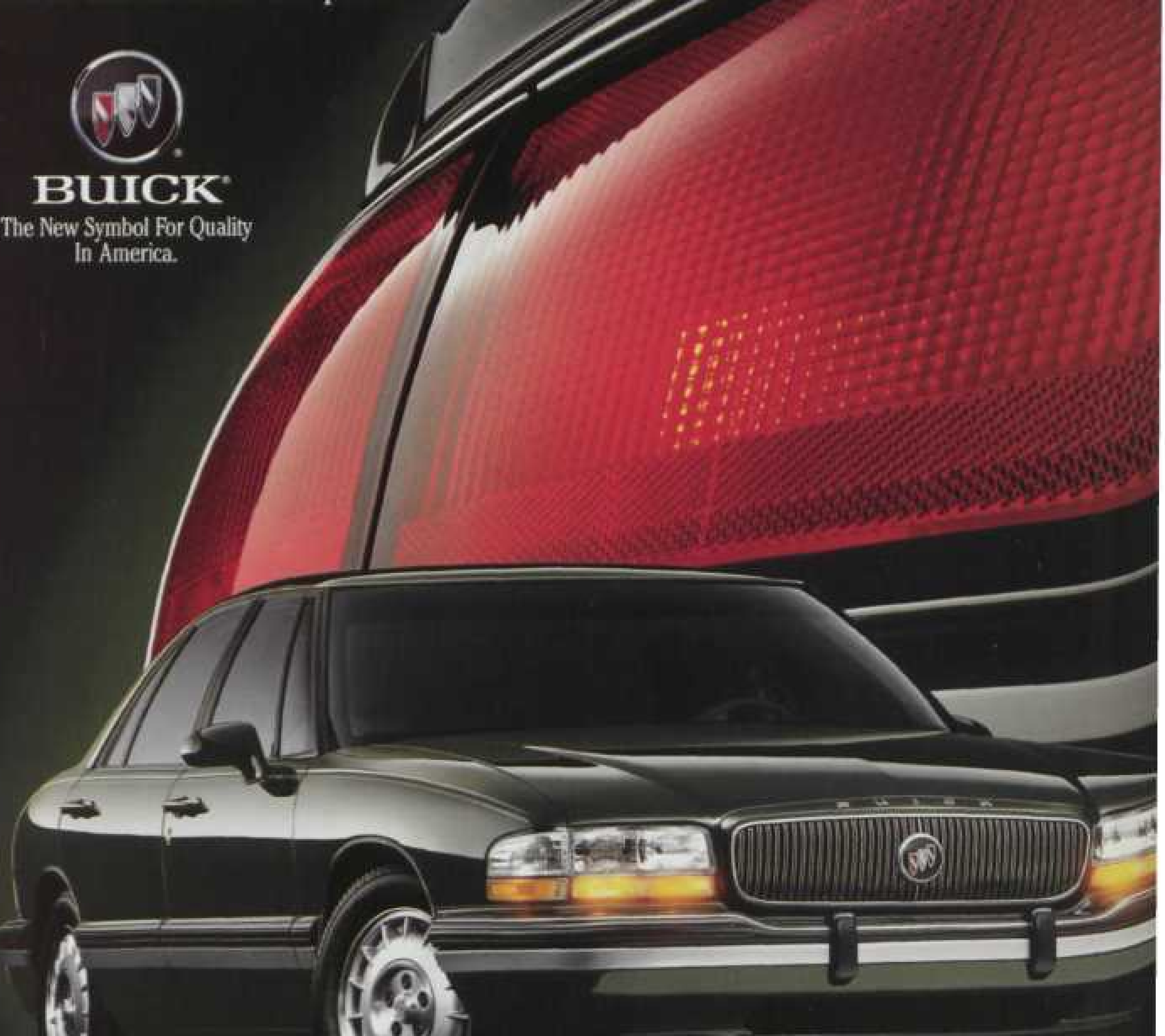
[1]Copies of IBM's Statement of Limited Warranty, PC Server Start-Up support and 30-day money-back guarantee are available by calling 1 800 772-2227. [2]NetFinity is a member of the SystemView® family. Server Guide and NetFinity available as options on PC Server 300, standard on all others. MB= million bytes. IBM, HelpWare and SystemView are registered trademarks and NetFinity and There is a difference are trademarks of International Business Machines Corporation. Intel is a registered trademark and Pentium is a trademark of Intel Corp. © 1995 IBM Corporation.

Executive privilege.
Buick LeSabre.

They've worked hard. Attained a certain level. Reward them with a fleet car they'll be proud to drive. LeSabre from Buick. It has all the important safety features — ABS, dual air bags, steel safety cage construction — and many other luxury features. All for a fiscally responsible price.

Buick LeSabre. All the perks.

BUICK®
The New Symbol For Quality In America.



The Business Advocate

SUPPLEMENT TO Nation's Business MAY 1995

U.S. Chamber of Commerce

U.S. Chamber Helps Advance GOP Contract

The U.S. Chamber of Commerce remains at the forefront of business efforts to win congressional passage of pro-growth provisions in the House Republicans' historic Contract With America.

The Contract—the House Republicans' agenda for the first 100 days of the 104th Congress—embodies many of the Chamber's top legislative priorities as outlined in its National Business Agenda.

GOP representatives who signed the Contract last fall kept their promise to vote within the 100 days on all 10 provisions in the agenda, with all but one of the measures passing the House.

But the job is not over. Some of the provisions—such as tax cuts, welfare reform, and legal reforms—face an uphill battle in the Senate, even before they are sent to the Democratic president.

The Chamber plans to use its vast grass-roots network, lobbying efforts, media work, and one-on-one meetings with members of Congress to ensure ultimate passage of as much of the Contract as possible.

Already that work has paid off well.

One of the Chamber's highest priorities—a limit on unfunded federal mandates—has already been approved by both houses of Congress and signed by the president.

Another longtime Chamber priority in the Contract—a measure to renew and strengthen the Paperwork Reduction Act—at press time was awaiting the president's signature. And legislation to grant line-item veto authority for the president (see story, Page 5A) passed the House and Senate in different versions. A House-Senate panel is working out

Continued on Page 2A

House Speaker Newt Gingrich, R-Ga., center, and Reps. Susan V. Molinari, R-N.Y., and John A. Boehner, R-Ohio, urged continued support for the House Republicans' agenda at a March 22 town-hall meeting at the U.S. Chamber. The meeting was broadcast nationwide by satellite and was the second such meeting on the Contract With America hosted by the Chamber.

Legislation

Contract Measures Advance

House Majority Leader Richard K. Armey, R-Texas, (far left) and Reps. Susan V. Molinari, R-N.Y., and John A. Boehner, R-Ohio, detail the significance of the Contract With America via satellite at a town-hall meeting hosted by the Chamber.

Continued from Page 1A

differences in the measures, which President Clinton is expected to sign.

Another Contract item high on business's agenda, a balanced-budget amendment to the Constitution, passed the House but was defeated—at least temporarily—in the Senate. It is expected to be reconsidered by the Senate later in this congressional session.

To help win passage of Contract provisions, the Chamber has used its significant resources effectively. Twice, it hosted House Speaker Newt Gingrich, R-Ga., and other Republican leaders for town-hall meetings on the Contract.

The first, on Feb. 7, was telecast via satellite to more than 3,200 downlink sites nationwide, and the second, on March 22, went to more than 3,800 downlink sites. The broadcasts were also carried by regional cable systems, with more than 2 million subscribers combined.

The Chamber also served as the site for the unveiling of the Republicans' welfare-reform legislation, a key component of the Contract and a high priority in the National Business Agenda. The welfare-reform measure passed the House; the Senate has yet to take up the issue.

Among its other efforts, the Chamber:

■ Contacted its more than 41,000 grass-roots activists frequently during the 100 days to ask them to urge their lawmakers to back Contract bills.

■ Conducted numerous face-to-face meetings with lawmakers to urge their support for Contract measures.

■ Testified numerous times before congressional committees in support of the various elements in the Contract.

■ Sent letters to lawmakers at strategic points in the legislative process, urging support for Contract provisions and alerting them that their votes would affect their Chamber vote ratings.

■ Participated in press conferences with House lawmakers in support of a host of Contract issues.

■ Reported regularly on the Contract on its weekday television business news program, "First Business," and covered several key issues on its weekly public-affairs debate program, "It's Your Business."

■ Produced and aired radio and television ads in support of legal-reform and tax-cut provisions in the Contract (see tax story, Page 3A), both of which passed the House but have yet to be considered in the Senate.

For its extensive efforts, the Chamber has won high praise from top GOP House leaders and many other members of Congress.

Said Speaker Gingrich: "I would like to acknowledge the efforts of the U.S. Chamber of Commerce and to thank you for your tireless help with and consistent support for the Contract."

"Without a doubt," said House Majority Whip Tom DeLay, R-Texas, "the Chamber of Commerce of the United States has been a major force in [Congress'] efforts to bring dramatic changes to the way our federal government operates."

House Republican Conference Chairman John A. Boehner, of Ohio, said: "Few organizations have been as critical to our mission of reducing the size, cost, and reach of the federal government as the U.S. Chamber of Commerce."

Key Win

Law Reinstates Health Deduction

Congress approved and President Clinton signed into law legislation to restore and make permanent a health-care tax deduction that the U.S. Chamber of Commerce has long supported.

The measure allows unincorporated businesses and the self-employed to deduct 25 percent of their 1994 health-insurance costs and 30 percent thereafter. While the Chamber had urged that the deduction, which had been 25 percent, be expanded to 100 percent, it views the increase to 30 percent beginning with 1995 as a step in the right direction. The deduction had expired at the end of 1993.

Victory

Firms Win On Tax Cut In House

The U.S. Chamber was part of a broad-based coalition working to pass the House Republicans' tax-cut package. Chamber Vice President and Chief Economist Martin A. Regalia, second from right, participated in a coalition press conference before the bill's passage. James F. Miller, standing, of the Washington, D.C., law firm Verner, Liipfert, explains the effects of a tax cut.

The U.S. Chamber of Commerce hailed House passage of a bill to cut taxes and spending as a step "toward stimulating business investment and creating jobs."

The House voted 246-188 on April 5 to pass the bill, which would cut taxes by $189 billion over five years. The tax cuts would be paid for through lower spending caps on federal discretionary programs and cuts in various entitlement programs.

The bill now goes to the Senate, where the Finance Committee will take up the tax cuts.

The bill was the last piece of the House Republicans' 10-point Contract With America considered before Congress adjourned for an April recess. It includes many business provisions long supported by the Chamber. The bill would, among other measures:

■ Reduce the maximum tax rate for corporate capital gains to 25 percent from a maximum rate of 35 percent.

■ Raise over three years the amount that would effectively be free from estate and gift taxes to $750,000 from $600,000. Once reached, the $750,000 would be indexed for inflation thereafter. Currently, an estate or gift of more than $600,000 is taxed at up to 55 percent at the time the asset is relinquished.

■ Allow businesses to recover more of the present value equivalent of the historical cost or original purchase price of capital expenditures for business property by permitting them to depreciate the cost plus inflation. Currently, the Internal Revenue Code only permits depreciation of the historical cost of business property.

■ Increase over four years to $35,000 from $17,500 the annual cost of equipment and certain other capital assets that businesses can deduct immediately from income for tax purposes. Amounts over the annual deduction amount will continue to be depreciated over the useful life of the asset.

■ Allow deductions for home-office expenses if essential administrative or management activities are conducted on a regular basis at the location and if the home office is necessary because there is no other place to perform those activities.

■ Phase out the alternative minimum tax (AMT), which requires corporations to calculate their taxes without being able to take advantage of some or all of the tax incentives available to them. The AMT was established to ensure that companies that have book income pay some tax. It would be phased out over five years.

The U.S. Chamber's Mark Van Fleet announces an electronic system to help small firms get into international trade and investment. Van Fleet is manager of the system, known as IBEX.

IBEX

Electronic Trade System Launched

The U.S. Chamber of Commerce recently announced a new electronic system that will give small businesses easier access to international trade and investment markets.

The system, called IBEX—International Business Exchange—consists of a low-cost computer program and a global network of businesses. IBEX subscribers enter their company profiles and commercial offers to buy or sell goods or services, or to make an investment.

The system automatically finds matches—buyers, sellers, or brokers—provided they are available, for the offer.

The parties can negotiate terms of the transactions, check credit information, and close deals from their personal computers. Even freight forwarders and logistics support can be contracted through IBEX.

The system was designed and is supported by the U.S. Chamber, AT&T, Dun & Bradstreet Information Services, GE Information Services, SHL Systemhouse, and the Global Business Alliance.

It will be marketed through the Chamber's 215,000 business members, 3,000 state and local chambers of commerce, 1,200 trade associations, and affiliated American chambers of commerce overseas. The system is now being tested and will be available for subscriber use in September.

For more information about IBEX, call Mark Van Fleet at (202) 463-5486.

Update

Action Pending On Striker Lawsuit

Oral arguments and a possible court injunction were expected in mid-April on a lawsuit filed by the U.S. Chamber of Commerce to stop a Clinton administration order barring federal contractors from hiring permanent replacements for striking workers.

Clinton signed the executive order March 8, and it took effect immediately. The order prohibits federal agencies from contracting with companies that have hired replacement workers for employees—either union or nonunion—who strike over economic conditions, such as wages and benefits. It applies to firms receiving federal contracts of more than $100,000.

Timothy B. Dyk, left, a partner with the Washington law firm of Jones, Day, Reavis & Pogue, and Stephen A. Bokat, U.S. Chamber general counsel and vice president, announce the filing of a lawsuit against the Clinton administration over its executive order barring federal contractors from using striker replacements.

In a brief filed with the U.S. District Court for the District of Columbia Circuit, the Chamber and several other business organizations argue that the president has no authority under the Constitution or through Congress to "regulate the use of economic weapons in the collective-bargaining process or to punish federal contractors for hiring replacement workers."

The order, therefore, violates the Constitution's separation of powers doctrine, the groups contend.

They also argue that the order violates the National Labor Relations Act (NLRA) and the Labor Management Relations Act (LMRA). The NLRA allows employers to hire permanent replacements for economic strikers, and the LMRA gives the National Labor Relations Board the exclusive power to administer and enforce the NLRA.

The business groups have asked for a preliminary injunction against the Clinton administration from enforcing the order while the court considers the case.

In related action, Senate proponents of a Chamber-backed measure to overturn the striker-replacement executive order recently fell two votes short of the 60 necessary to cut off a prolonged debate and bring the measure up for a final vote. (See how your senators voted on Page 10A.)

Also, the House already approved and the Senate was expected to vote soon on amendments to Defense Department appropriations bills that would deny funding for implementing the executive order.

Testimony

Chamber Urges Health Reforms

U.S. Chamber President Richard L. Lesher recently urged a House subcommittee to pursue "targeted, market-based" reforms in the nation's health-care system.

Lesher said Chamber members support a market-based health-care system and reforms "that will enable the market to operate more efficiently and effectively." His testimony was on legislation to reform the federal Employee Retirement Income Security Act (ERISA) before the House Economic and Educational Opportunities Subcommittee on Employer-Employee Relations.

Lesher said the ERISA-reform bill sponsored by the panel's chairman, Rep. Harris W. Fawell, R-Ill., would bring about needed changes in the health-insurance system.

The legislation (H.R. 995) would allow small employers to form pools to negotiate for health-insurance rates. It also would allow employees to continue health coverage when they change jobs; require that workers' health insurance be renewed; and limit insurers' use of pre-existing conditions as a reason for denying coverage.

Said Lesher: "I am pleased to see that H.R. 995 is in line with what Chamber members and the greater business community seek in a health-care reform package—needed adjustments that do not restrict the choice of coverage the American public now enjoys and also that do not create an oppressive government bureaucracy."

U.S. Chamber President Richard L. Lesher, left, and Chamber Domestic Policy Vice President Jeffrey H. Joseph, center, talk with Rep. Harris W. Fawell, R-Ill. Lesher testified before Fawell's panel in support of "targeted, market-based" health-care reforms.

Unfunded Mandates

Nancy Falco, a U.S. Chamber human-resources attorney, thanks Rep. Rob Portman, R-Ohio, for sponsoring legislation to restrict the federal government's ability to require businesses, states, and localities to comply with mandates for which no funding is provided. President Clinton signed the bill—a top Chamber priority—into law March 22.

Entitlements

Welfare Changes Backed

Another top priority of the U.S. Chamber of Commerce—welfare reform—has passed the U.S. House and is awaiting Senate action.

The House approved its welfare-reform bill in mid-March. The legislation was introduced by Rep. E. Clay Shaw Jr., R-Fla., chairman of the House Ways and Means Human Resources Subcommittee, and is part of the House Republicans' Contract With America. It would:

- Consolidate federal welfare programs into block grants to the states.
- Deny assistance to legal immigrants and unwed mothers under the age of 18.
- Require welfare recipients to work after two years, and cut off benefits entirely after five years.

When the Senate will vote on welfare reform is uncertain.

The Chamber's Jeffrey H. Joseph, vice president for domestic policy, outlined the business federation's position on welfare reform in recent testimony before the Senate Finance Committee.

He said the Chamber supports increased state and local flexibility in the delivery of welfare programs as well as work requirements and time limits on benefits for those on welfare rolls.

Because business will be called upon to provide jobs for welfare recipients, he said, "it is essential that business be involved in the design, development, operation, and evaluation of any changes in America's welfare system."

The U.S. Chamber's Jeffrey H. Joseph testified on welfare reform before a Senate committee.

Legislation

Line-Item Veto Nears Signing

The U.S. Chamber of Commerce scored a major victory with the Senate's approval of a line-item veto bill.

The action followed earlier House approval of similar legislation.

President Clinton is expected to sign final legislation being negotiated by a House-Senate conference committee.

The panel is working out differences between the House and Senate bills and is expected to complete its work after Congress' mid-April recess.

Authority for the president to veto line items in spending bills has long been a high Chamber priority as a critical tool for reining in runaway government spending.

The Senate passed its bill March 23 by a 69-29 vote. (See how your senators voted on Page 8A.) The House voted 294-134 on Feb. 6 to approve its measure. The line-item veto is one of the provisions in the House Republicans' Contract With America.

Both the House and Senate measures would give the president authority to veto specific spending items or targeted tax breaks in appropriations bills while approving the overall legislation.

Congress could reinstate any items eliminated by passing a bill to do so. A two-thirds majority of both houses would be needed to reinstate items eliminated by the president.

The president could then veto that bill, but Congress could override the veto, again with a two-thirds vote in each house.

The House-passed version would allow the president to reduce—as well as eliminate—spending and tax items. The Senate bill, sponsored by Majority Leader Bob Dole, R-Kan., and John McCain, R-Ariz., contains no such provision. The House bill allows elimination of tax breaks that affect fewer than 100 businesses or individuals, while the Senate bill allows elimination of a broader range of tax breaks.

The Senate measure would expire in the year 2000; the House measure has no expiration date.

Correction

The phone number for the U.S. Chamber's Center for Workforce Preparation is (202) 463-5525. The number was listed incorrectly in the April issue of *The Business Advocate*.

■ **Litigation**

U.S. Chamber Challenges Wildlife Rule

The U.S. Chamber of Commerce has joined a suit against U.S. Interior Secretary Bruce Babbitt over enforcement of the Endangered Species Act.

The 1973 law makes it a federal crime to "take" an endangered or threatened species. "Take" is defined in the statute to mean "harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect." Through regulations, the Interior Department's Fish and Wildlife Service defined "harm" as any "significant habitat modification or degradation" that kills or injures endangered or threatened species. Violations of the Endangered Species Act are punishable by fines of up to $20,000 and/or jail terms of up to one year.

In the case now before the U.S. Supreme Court, *Babbitt vs. Sweet Home Chapter*, residents of several Oregon communities are challenging the Fish and Wildlife Service's rule interpreting "harm," which was used to block timber harvesting in Oregon. The citizens group is known as the Sweet Home Chapter of Communities for a Better Oregon.

The Chamber and other organizations, including the National Association of Realtors and the National Association of Industrial and Office Properties, are asking the Supreme Court to uphold a decision by the U.S. District Court of Appeals for the District of Columbia Circuit that found the Fish and Wildlife Service's interpretation invalid.

The Chamber is challenging a rule related to the Endangered Species Act, which protects wildlife such as the spotted owl.

In their brief to the high court, the Chamber and the other groups urge the justices to consider Congress' intent in passing the Endangered Species Act. They point out that:

■ A provision defining "take" as "destruction, modification, or curtailment of habitat or range" was deleted from the legislation during consideration by a congressional committee.

■ Other sections of the act authorize the federal government to acquire fish and wildlife habitats and require that federal agencies ensure that no destruction or adverse modification of a habitat occurs when it is being acquired.

■ The section that applies to all parties—the government and private citizens—does not forbid modification of a habitat but prohibits the "taking" of endangered or threatened species on public or private land.

Even if the justices reject the argument of congressional intent, the Chamber and the other groups argue, the court should hold the Fish and Wildlife Service's regulation invalid because it "criminalizes ordinary conduct without providing notice to those who violate its prohibitions."

The service's rule does provide a measure of notice by saying that a "take" has occurred if the habitat of an endangered or threatened species is modified. But establishing the occurrence of violations of the Endangered Species Act requires proof only that the habitat was "knowingly" modified, not that it was "willfully" modified to "take" a species.

The Chamber and the other organizations in the suit point out that citizens could be held criminally liable for knowingly modifying their land even if they did *not* know that the land was a habitat or a potential habitat for endangered or threatened species.

The Supreme Court is expected to rule on the case before its current term ends in June.

■ **Energy**

Rep. Dan Schaefer, R-Colo., chairman of the Energy and Power Subcommittee of the House Commerce Committee, talks with Sally Jefferson, associate director of domestic policy for the U.S. Chamber, before addressing the Industrial Energy Users Forum group at the Chamber. Schaefer discussed issues likely to come before his panel, including energy deregulation and, possibly, Clean Air Act revisions.

GAIN UPDATE
GRASSROOTS ACTION INFORMATION NETWORK
U.S. Chamber of Commerce Federation

Budget Reforms Called Even More Important Now

Changes In Legislative Procedures Could Help Congress Cut Deficit

To avoid a projected federal budget deficit of more than $400 billion by the year 2005, Congress must arm itself to fight continuing high levels of federal spending.

Its best weapon, a balanced-budget amendment to the Constitution, fell into legislative limbo in March when the Senate fell a vote short of sending it to the states for ratification.

Should the Senate leadership sense a different outcome in the next 18 months, another vote may be taken. Meanwhile, Congress will have to rely on other methods of instilling fiscal discipline to cut federal spending.

"While most of these proposed budgetary procedures would have been introduced in this Congress even if the Senate had followed the House in approving a balanced-budget amendment, they are now all the more important in its absence," said Robert D. Barr, deputy chief economist for the U.S. Chamber of Commerce.

Foremost among them is line-item veto authority for the president. The Senate and House have passed different bills, and a compromise is expected to be worked out soon. President Clinton has indicated he will sign the measure into law. (See the related story on Page 5A.)

Other proposed budget reforms are at earlier stages of the legislative process. One, introduced by Sen. Connie Mack, R-Fla., and Rep. Dan Miller, R-Fla., would establish a Government Spending Reduction Commission modeled after the successful Defense Base Closure and Realignment Commission.

Its task would be to recommend enough spending cuts to reduce outlays by $45 billion annually between the 1997 and 2002 federal fiscal years. Such a path would put the federal budget in balance by 2002.

The nonpartisan commission would be activated if Congress did not come up with $45 billion in cuts itself. The panel would recommend spending cuts to reach that target, which Congress would be required to vote on as a package with an up-or-down vote. Social Security would remain off limits.

ILLUSTRATION: MICHAEL ROOK

Sen. Jon L. Kyl, R-Ariz., is sponsoring the Balanced Budget/Spending Limitation Act, which seeks to establish spending limits as a specific percentage of U.S. gross domestic product.

In fiscal 1996, spending would be limited to 21.5 percent of GDP, down from 21.8 percent projected for 1995. The limit would be reduced by 0.5 percentage points in each succeeding year until 2001, when spending would be limited to 19 percent of GDP.

Because revenues have reached about 19 percent of GDP over the last two decades, even with all the changes in tax policy, the Kyl approach would roughly balance the budget.

However, the bill doesn't stop there. Beginning in fiscal 2003, Kyl's bill would prevent the current Social Security surplus from being counted in the calculation of the budget deficit. The resulting deficit would then be eliminated between fiscal 2003 and fiscal 2008.

In addition, the legislation introduced by Kyl would make the budget resolution passed early in the budgeting process a binding joint resolution requiring the president's signature. Now, the nonbinding resolution can be easily skirted.

Along the same lines, Sen. Phil Gramm, R-Texas, has introduced a bill with specific deficit targets aimed at a balanced budget by 2002.

As in Kyl's bill, the budget resolution in Gramm's measure would become binding, and, after 2002, the budget would be balanced without including any surplus in Social Security.

The bill also establishes zero-base budgeting and decennial sunsetting for all discretionary and unearned entitlement programs, excluding Social Security, veterans' benefits, retirement programs, and Medicare.

Other proposals to change the budgetary process include the reintroduction of a "lock-box" deficit-reduction bill, sponsored by Reps. Mike Crapo, R-Idaho, and Jane Harman, D-Calif. The bill aims to ensure that savings from spending cuts made to lower the deficit are essentially locked up for that purpose.

Also expected to be reintroduced is the "A-to-Z" spending-cut plan, sponsored by Reps. Robert E. Andrews, D-N.J., and Bill H. Zeliff Jr., R-N.H. This bill, similar to one defeated last year, would allow a set number of days for members to propose spending cuts.

For more information about spending-reduction plans, call the Chamber's Economic Policy Division at (202) 463-5620.

How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, U.S. Chamber specialists on legislative and regulatory issues provide activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how to become a member of this network, call (202) 463-5604.

GAIN UPDATE

Thank Senators Who Approved Line-Item Veto Legislation

In a move strongly supported by the U.S. Chamber of Commerce, the Senate voted 69-29 March 23 to grant the president authority to veto line items in spending and tax bills. The vote virtually assures that some form of presidential line-item veto authority will be enacted this year.

The House approved a stronger line-item veto measure by a vote of 294-134 Feb. 6. House-Senate conferees were working out the differences between the two bills at press time, with a final measure expected to be sent to President Clinton sometime in April. Clinton has said he would sign line-item veto legislation.

The House bill is part of the Republicans' Contract With America. The Senate measure was sponsored by Majority Leader Bob Dole, R-Kan., and John McCain, R-Ariz.

The Chamber believes that a line-item veto coupled with a balanced-budget amendment to the Constitution will help restrain the government's fiscal appetite.

Although a constitutional balanced-budget amendment failed earlier this year in the Senate, several bills to require a balanced budget have been introduced in both houses.

Write your senators and thank them if they voted for the line-item veto bill. Express your disappointment if they voted against the measure. The address is U.S. Senate, Washington, D.C. 20510.

Senate Line-Item Veto Vote

For The Bill

ALABAMA
Shelby
Heflin

ALASKA
Murkowski

ARIZONA
Kyl
McCain

CALIFORNIA
Feinstein

COLORADO
Brown
Campbell

CONNECTICUT
Lieberman

DELAWARE
Roth
Biden

FLORIDA
Mack
Graham

GEORGIA
Coverdell

IDAHO
Craig
Kempthorne

INDIANA
Coats
Lugar

IOWA
Grassley
Harkin

KANSAS
Dole
Kassebaum

KENTUCKY
McConnell
Ford

LOUISIANA
Breaux

MAINE
Cohen
Snowe

MASSACHUSETTS
Kennedy
Kerry

MICHIGAN
Abraham

MINNESOTA
Grams
Wellstone

MISSISSIPPI
Cochran
Lott

MISSOURI
Ashcroft
Bond

MONTANA
Burns

NEBRASKA
Exon

NEW HAMPSHIRE
Gregg
Smith

NEW JERSEY
Bradley

NEW MEXICO
Domenici

NEW YORK
D'Amato

NORTH CAROLINA
Faircloth
Helms

NORTH DAKOTA
Dorgan

OHIO
DeWine

OKLAHOMA
Inhofe
Nickles

OREGON
Packwood

PENNSYLVANIA
Santorum
Specter

RHODE ISLAND
Chafee

SOUTH CAROLINA
Thurmond
Hollings

SOUTH DAKOTA
Pressler
Daschle

TENNESSEE
Frist
Thompson

TEXAS
Hutchison

UTAH
Bennett
Hatch

VIRGINIA
Warner
Robb

WASHINGTON
Gorton

WISCONSIN
Feingold
Kohl

WYOMING
Simpson
Thomas

Against The Bill

ARKANSAS
Bumpers
Pryor

CALIFORNIA
Boxer

CONNECTICUT
Dodd

GEORGIA
Nunn

HAWAII
Akaka
Inouye

ILLINOIS
Moseley-Braun
Simon

LOUISIANA
Johnston

MARYLAND
Mikulski
Sarbanes

MICHIGAN
Levin

MONTANA
Baucus

NEBRASKA
Kerrey

NEVADA
Bryan
Reid

NEW JERSEY
Lautenberg

NEW MEXICO
Bingaman

NEW YORK
Moynihan

NORTH DAKOTA
Conrad

OHIO
Glenn

OREGON
Hatfield

RHODE ISLAND
Pell

VERMONT
Jeffords
Leahy

WASHINGTON
Murray

WEST VIRGINIA
Byrd
Rockefeller

Did Not Vote

ALASKA
Stevens

TEXAS
Gramm

New Clean Water Bill Clears Committee; House Floor Vote Expected in May

The U.S. Chamber of Commerce and the Chamber-led Clean Water Industry Coalition (CWIC) are urging House passage of legislation that would give states, localities, businesses, and other organizations flexibility in complying with Clean Water Act regulations.

The legislation—H.R. 961—was approved recently by the House Transportation and Infrastructure Committee, 42-16.

The measure, introduced by committee Chairman Bud Shuster, R-Pa., would help ensure that administration of Clean Water Act programs is efficient and cost-effective and would improve environmental quality, the Chamber says.

It would require clean-water standards to be based on credible science and be subject to risk and cost-benefit analyses by the Environmental Protection Agency.

"The bill also would provide businesses with incentives to develop and use innovative pollution-prevention technologies," says Charles Ingram, associate manager of environment policy for the Chamber, "and would achieve much-needed reforms in the storm-water management and wetlands-preservation programs."

The bipartisan legislation has been endorsed by state and local government officials and farm organizations, as well as by business. But some members of Congress and environmental groups oppose the bill. They are calling H.R. 961 the "Polluter's Bill of Rights" and saying it would provide businesses with loopholes and exemptions that, in effect, would emasculate the Clean Water Act.

"To the contrary," says Ingram, "the Clean Water Act has been the basis of many desirable results but needs amending." The Chamber points out that remaining water-cleanup problems are specialized and complex and, therefore, are resistant to the rigid, generalized solutions prescribed by the current law.

The Chamber also asserts that the existing law's rigidity has resulted in equally inflexible regulations, which in some cases have forced businesses to spend a lot of money to achieve very little pollution reduction.

Says Ingram: "H.R. 961 would bring about a realistic, common-sense approach to regulating that, in turn, should result in flexible, cost-effective approaches to protecting human health and the environment."

The bill is expected to come up for a vote before the full House sometime in May.

Contact your representative immediately and urge him or her to vote for H.R. 961. Lawmakers can be reached through the Capitol switchboard at (202) 225-3121.

H.R. 961 would bring about a realistic, common-sense approach to regulating that should result in flexible, cost-effective approaches to protecting human health and the environment.

—Charles Ingram
U.S. Chamber of Commerce

Bill To Consolidate Federal Job-Training Programs Would Repeal FUTA Surtax

A bill to consolidate more than 90 federal job-training programs into one federal block grant to each state was introduced in the House on March 2 by Reps. Bill H. Zeliff Jr., R-N.H., John R. Kasich, R-Ohio, and 25 other co-sponsors.

The intention of the bill—the Employment Enhancement Reform Act, H.R. 1120—is to increase the effectiveness of federal programs that aim to meet the training and employment needs of jobless and disadvantaged Americans.

Programs that would be consolidated include the Job Training Partnership Act, the federal Employment Service, vocational and adult education, literacy programs, vocational rehabilitation, trade adjustment assistance, veterans' employment programs, and the welfare-to-work JOBS program.

While the U.S. Chamber of Commerce has not taken a position on the entire bill, it supports H.R. 1120's overall goals of restructuring the federal employment and training system. The Chamber also supports a provision that would repeal the 0.2 percent Federal Unemployment Tax Act (FUTA) surtax, which virtually all employers are required to pay.

The FUTA tax, enacted in 1976, was intended as a temporary tax imposed solely to pay off a debt Congress incurred by repeatedly extending unemployment benefits during the early 1970s. The debt was fully paid in 1987, but Congress extended the surtax for three years to "enhance" the federal budget.

Since then, the surtax has been extended several times and is currently scheduled, by law, to expire at the end of 1998.

The surtax costs employers $14 per employee each year and generates $1.4 billion in revenue annually.

Consolidating training programs is expected to result in a pool of funds worth several billion dollars in savings and is expected to be more than enough to offset the revenue lost by repealing the 0.2 percent surtax.

In anticipation of the bill sponsored by Zeliff and Kasich, who is chairman of the House Budget Commitee, the Chamber and several other organizations formed a coalition to seek repeal of the FUTA surtax. "With the new Congress, the chances of repealing the tax in 1995 are very promising," said Jill Scheldrup, state and local manager of the Chamber's Center for Workforce Preparation.

H.R. 1120 has been referred to the House Economic and Educational Opportunities Committee, chaired by Rep. William F. Goodling, R-Pa. Goodling is working on another bill to consolidate job-training programs. Whether the Goodling measure will contain provisions to repeal the FUTA surtax is uncertain.

Write your representative and urge repeal of the FUTA tax, which has outlived its original intent. The address is U.S. House of Representatives, Washington, D.C. 20515. GU

Write Senators About Vote On Striker-Replacement Order

In a legislative loss for business, the Senate failed to cut off debate on a measure to prevent implementation of a presidential executive order barring government contractors from using replacements for striking workers.

The measure to prevent the order's implementation was sponsored by Sen. Nancy Landon Kassebaum, R-Kan., chairman of the Labor and Human Resources Committee.

The March 15 vote was 58-39 to end the filibuster, but 60 votes were needed to end debate and bring the measure up for a final vote.

President Clinton issued the executive order March 8, and it took effect immediately.

The order prohibits government agencies from contracting with companies that have hired replacement workers for employees who strike over economic conditions, such as wages and benefits.

The Chamber had urged the Senate to pass Kassebaum's proposal.

Write your senators and thank them if they voted to end the filibuster and to prevent implementation of the striker-replacement executive order. If they voted to continue the filibuster, express your disappointment. The address is U.S. Senate, Washington, D.C. 20510.

Senate Vote On Striker-Replacement Amendment

Voted To End Filibuster

ALABAMA
Shelby

ALASKA
Murkowski
Stevens

ARIZONA
Kyl
McCain

ARKANSAS
Bumpers
Pryor

COLORADO
Brown
Campbell

DELAWARE
Roth

FLORIDA
Mack

GEORGIA
Coverdell
Nunn

IDAHO
Craig
Kempthorne

INDIANA
Coats
Lugar

IOWA
Grassley

KANSAS
Dole
Kassebaum

KENTUCKY
McConnell

MAINE
Cohen
Snowe

MICHIGAN
Abraham

MINNESOTA
Grams

MISSISSIPPI
Cochran
Lott

MISSOURI
Ashcroft
Bond

MONTANA
Burns

NEBRASKA
Exon

NEW HAMPSHIRE
Gregg
Smith

NEW MEXICO
Domenici

NEW YORK
D'Amato

NORTH CAROLINA
Faircloth
Helms

OHIO
DeWine

OKLAHOMA
Inhofe
Nickles

OREGON
Hatfield
Packwood

PENNSYLVANIA
Santorum
Specter

RHODE ISLAND
Chafee

SOUTH CAROLINA
Thurmond
Hollings

SOUTH DAKOTA
Pressler

TENNESSEE
Frist
Thompson

TEXAS
Gramm
Hutchison

UTAH
Bennett
Hatch

VIRGINIA
Warner

WASHINGTON
Gorton

WYOMING
Simpson
Thomas

Voted To Continue Filibuster

ALABAMA
Heflin

CALIFORNIA
Boxer
Feinstein

CONNECTICUT
Dodd
Lieberman

DELAWARE
Biden

FLORIDA
Graham

HAWAII
Akaka
Inouye

ILLINOIS
Moseley-Braun
Simon

IOWA
Harkin

KENTUCKY
Ford

LOUISIANA
Breaux
Johnston

MARYLAND
Mikulski
Sarbanes

MASSACHUSETTS
Kennedy
Kerry

MICHIGAN
Levin

MINNESOTA
Wellstone

MONTANA
Baucus

NEBRASKA
Kerrey

NEVADA
Bryan
Reid

NEW JERSEY
Bradley
Lautenberg

NEW MEXICO
Bingaman

NEW YORK
Moynihan

NORTH DAKOTA
Conrad
Dorgan

OHIO
Glenn

SOUTH DAKOTA
Daschle

VERMONT
Leahy

VIRGINIA
Robb

WEST VIRGINIA
Byrd
Rockefeller

WISCONSIN
Feingold
Kohl

Voted "Present" But Paired In Favor*

RHODE ISLAND
Pell

Did Not Vote But Paired Against*

WASHINGTON
Murray

Did Not Vote

VERMONT
Jeffords

** Two senators on opposite sides of an issue agree to pair their votes when one or both of them will be absent.*

■ U.S. Supreme Court

Chamber Wins Business Legal Cases

The National Chamber Litigation Center, the public-policy law firm of the U.S. Chamber of Commerce, recently won several U.S. Supreme Court cases of significance to business.

"NCLC has persuaded the Supreme Court to rule in business's favor on a variety of important issues, including employee-benefits rights, employment discrimination, and federal pre-emption," said Stephen A. Bokat, executive vice president of the litigation center, which filed briefs supporting the business position in the cases.

■ Benefit Plan Changes

In *Curtiss-Wright Corp. vs. Schoonenjongen*, the high court agreed with the NCLC that the company had satisfied rules of the federal Employee Retirement Income Security Act (ERISA) by relying on a commonly accepted clause in its benefits plan to discontinue retiree health benefits.

Retirees of the Lyndhurst, N.J., maker of aircraft components sued the company in 1983. The former workers contended that the company's decision to terminate retiree health benefits violated provisions of ERISA that require benefits plans to contain detailed amendment procedures.

In lieu of specific amendment procedures, Curtiss-Wright's plan contains a "reservation of rights" clause: "The Company reserves the right ... to modify or amend ... any or all of the provisions of the Plan."

The Third Circuit Court of Appeals in Philadelphia supported the retirees' contention that ERISA requires plans to contain detailed procedures for making changes in benefits. But in its unanimous decision to overturn the lower court, the Supreme Court said that ERISA requires only that there be an amendment procedure; the court said the law is indifferent to the procedure's level of detail.

The Chamber litigation center's brief had argued to the Supreme Court that the lower court ruling would create upheaval by declaring retroactively void many changes in company benefit plans—some boosting benefits, others reducing them.

■ Pre-emption Of State Laws

In another ERISA-related case, *American Airlines Inc. vs. Wolens*, the high court held that the 1978 federal Airline Deregulation Act's pre-emption provision, which is similar to ERISA's, should be broadly interpreted to promote national uniformity and consistency.

The airline act and the benefits law are similar in that both pre-empt state laws that "relate to" their subjects.

The case was initiated when participants in American Airlines' frequent-flier program sued the company under

"NCLC has persuaded the Supreme Court to rule in business's favor on a variety of important issues, including employee-benefits rights, employment discrimination, and federal pre-emption."

—Stephen A. Bokat, Executive Vice President, NCLC

Illinois' consumer-fraud law after the airline reduced frequent-flier benefits. The plaintiffs challenged the modifications to the program and charged that the changes constituted a breach of contract.

The Supreme Court, agreeing with the NCLC, ruled that the modifications could not be challenged under the state consumer-fraud law because, like ERISA, the airline deregulation statute pre-empts any state law that relates to, in this case, airline rates, routes, or services.

The high court referred to a previous decision on the airline act in which the ERISA pre-emption provision was cited. ERISA pre-empts state laws "insofar as they ... relate to any employee benefit plan." In the previous decision, the court defined the "related to" language as "having a connection with or reference to airline rates, routes, or services."

(The court did find that the changes in the frequent-flier program may have constituted a breach of contract, and it sent the case back to the Illinois Supreme Court for further consideration on that point.)

The NCLC had argued to the Supreme Court that if the "related to" words in the airline deregulation law were not interpreted as applying broadly, those words could be challenged in ERISA cases as well, reopening ERISA pre-emption issues.

■ Age Discrimination

The Supreme Court granted companies significant relief in discrimination cases in which evidence of employee misconduct would have led to the worker's dismissal, although it ruled against arguments made by the NCLC in *McKennon vs. Nashville Banner Publishing Co.*

In the case, 62-year-old Christine McKennon charged a Nashville newspaper publisher with age discrimination when she was fired as part of a work-force cutback. The company later discovered that the employee had photocopied confidential documents and removed them from the work site.

The firm contended that the document copying would have been grounds for termination and argued to the court that the "after-acquired" evidence barred McKennon's discrimination suit.

The NCLC concurred that a discrimination claim should be prohibited if "after-acquired" evidence points to fraud and when the evidence is significant enough that it would have led to a refusal to hire or a decision to fire the employee.

The Supreme Court said that violations of anti-discrimination laws cannot be disregarded simply because of an employee's misconduct. It did rule, however, that trial courts may deny reinstatement or damages to employees who would otherwise have been terminated because of their misconduct and that courts may limit back pay from the date of the unlawful discharge to the time the evidence of employee misconduct is discovered.

Leadership

Lesher Marks His 20th Year With Chamber

U.S. Chamber President Richard L. Lesher, left, discusses a balanced-budget amendment with, left to right, Sen. Orrin G. Hatch, R-Utah; Susan Tanaka, vice president of the Committee for a Responsible Federal Budget (back to camera); show moderator Meryl Comer; and Alan Morrison, with Public Citizen Litigation Group. Lesher has appeared on more than 800 "It's Your Business" shows since 1979.

Observing his 20th anniversary as president of the U.S. Chamber of Commerce, Richard L. Lesher can point to many major achievements during his tenure, but he also sees continuing challenges.

He is especially proud that the pro-growth policies being implemented by Congress are essentially the goals that the U.S. Chamber has long sought.

At the same time, he says the next phase of congressional activity needs to address fundamental tax reform, health care, entitlements, and threats to the private pension system.

Lesher heads the nation's largest broad-based business organization. Its membership consists of 215,000 businesses of all types and sizes, 3,000 state and local chambers of commerce, 1,200 trade and professional organizations, and 72 American Chambers of Commerce abroad. That total of nearly 220,000 compares with 52,000 when Lesher took over.

The Lesher era has seen the launching of specialized units that have made the U.S. Chamber a major force in communicating the business message, grass-roots lobbying, international trade, education reform, litigation on behalf of the private sector, research on business and economics, and training in total quality management.

He joined the Chamber after serving as president of the National Center for Resource Recovery, which developed technology for turning municipal solid waste into energy and other vital resources. He had served earlier as a top official at the National Aeronautics and Space Administration, where he was assistant administrator for technology utilization during the period leading to the first manned moon landing.

Lesher holds a doctorate in business administration from Indiana University, a master of science degree from Pennsylvania State University, and a bachelor's degree in business administration from the University of Pittsburgh, all earned after service in the U.S. Army.

In this interview with *The Business Advocate*, Lesher looks back on his 20 years at the U.S. Chamber, talks about the road leading to his present job, and looks to the future:

Were there factors in your early years that led you to a leadership role in American business?

Not at all. It still amazes me that the son of a union organizer is running the United States Chamber of Commerce. Many people would think that I probably grew up as the son of a rich man or as a professional student. Nothing could be further from the truth.

I started working when I was 8 years old. I worked my way through high school, served in the Army, and worked while I earned three degrees. I was married, had children, went to school full time, and worked full time. I learned early on that we have to take charge of our own lives.

Your father's labor-union outlook didn't take with you?

If there was any influence, I suppose it was the perspective that some of my father's attitudes gave me on how some people are willing to exploit the system, such as his frequent use of unemployment compensation. My grandfather was just the opposite—very conservative, a free-enterpriser, even though he was a government employee—a mail carrier. So there was this other influence.

What brought you to the U.S. Chamber?

I was president of the National Center for Resource Recovery when a Chamber search committee nominated me. At the time, I was happy with what I was doing.

What was the key factor in your decision to take the Chamber job?

The sense of what could be accomplished. The Chamber philosophy is so basic to the American way of life. Our policies are grounded in free enterprise and the American dream, which set this country apart from so many others.

How does the current activity in Congress compare with Chamber policy?

The House Republicans' Contract With America is the Chamber's program of work. The National Business Agenda, which was written by U.S. Chamber members, lines up four-square with the Contract.

And public opinion polls show that the general public supports the Contract, which means that it supports our ideological orientation, which is so basic to what America is all about. America was not built on a liberal approach of redistributing income, which has been in place for the last 30 years.

■ **What were your goals when you started on your job?**

One of the first was to get the kind of board of directors that we needed. Leading members of the business community, the decision makers, responded to this initiative.

The biggest asset of this organization is its integrity in every aspect of the policy process, beginning with the board. We are a unique organization with the board serving as chief executive officer setting policy. We have a first-class board of men and women who represent a cross section of American business and are leaders in their fields, so they can speak for their industries as well as their own companies.

We also increased the small-business presence on the board in response to the skyrocketing number of smaller firms nationwide. Another early step was a review of the revenue situation.

■ **What conclusions did you reach about revenues?**

A nonprofit organization cannot survive on dues alone. I began immediately to diversify the revenue stream. Our biggest success was BizNet, our television operation.

If you live in a country of 250 million people, you had better know something about mass communications, how to use multipliers not only in print media but also in broadcast. We are halfway into the 16th year of our flagship program, "It's Your Business," which some experts told us would never get on the air. We have done more than 800 programs on 140 stations.

More important, we proved we could do network-quality programming. We recruited a staff, built studios, and began to do business news nearly 15 years ago.

This effort has been assisted by the contribution of satellite dishes to state and metropolitan chambers of commerce by COMSAT/RSI, and those gifts helped in the expansion of our broadcasting capability.

We have also moved into televised seminars, in which we bring the best management minds into our studios and use technology to teach total quality management to audiences nationwide. Another important factor is that our broadcast activities have not only been a source of revenue, they also have been a major factor in our success in achieving our policy goals.

■ **How does that work?**

We began doing timely grass-roots lobbying through televised town-hall meetings that convey our message and a sense of legislative urgency to our members, who respond by pressuring their members of Congress. Top congressional leaders participated in these broadcasts in support of our mutual goals. Those appearing included House Speaker Newt Gingrich, House Majority Leader Dick Armey, and Rep. John Boehner, chairman of the House Republican Conference.

■ **What happens after the Senate completes action on the House's Contract With America legislation?**

Remaining issues will include health care. We continue to press for some incremental reforms, such as insurance reform, malpractice reform, and administrative reform, which would make coverage more affordable and more available. It looks like we'll succeed.

We will also be a key player in the upcoming debate over changing the tax system, helping to correct many things that have gone wrong. We also will address entitlements and Internal Revenue Service rules that are causing companies to drop qualified pension plans.

■ **What is the solution to the entitlements problem?**

My personal view, and this is not Chamber policy, is that Social Security should be privatized. Let younger people invest their Social Security taxes in 401(k)-type programs and grandfather older people into the current system.

You can't solve the federal-deficit problem without addressing entitlements, and you can't address entitlements without addressing Social Security. If you look 25 years ahead, when the baby boomers begin hitting the system in force, you will have a choice of cutting benefits for practically everyone except the very poorest or ratcheting up taxes two or three times.

■ **How did the Chamber become a major player on international policy?**

Our international program evolved over many years. We have had bilateral and multilateral trade councils involving nations throughout the world, and American Chambers of Commerce have long been active in foreign countries. A more recent step was the creation of our Center for International Private Enterprise (CIPE).

Well before the Iron Curtain started to come down, we were preaching market economics and free enterprise throughout the world. Congress finally realized that most countries did not have the institutions to change from a nonmarket to a market economy, and it created the National Endowment for Democracy, with the Chamber representing business through CIPE. We have helped local institutions in nearly 50 countries organize and preserve market economies, and we have taught journalists how to cover market economics.

We have also been a leader in campaigns to pass trade legislation, like NAFTA and GATT.

■ **Is there a single development that you are most proud of during your tenure as president?**

My immediate response is "all of the above." But one area of achievement does stand out. Our grass-roots activities, our media efforts, our participation in business coalitions, and our intensive communications resources have all helped create a climate in which the policies that we have long championed are an integral part of the congressional agenda. The opportunity to correct mistakes is probably the most satisfying thing.

But it hasn't always been easy. If you are out front, you learn that pioneers get shot at.

Trade

Chamber Backs USTR's Actions On China

The U.S. Chamber of Commerce voiced its strong support for recent actions of the U.S. Trade Representative (USTR) to secure market access and protections for intellectual-property rights in China for American and foreign firms.

Willard A. Workman, vice president/international for the Chamber, told the the Senate Foreign Relations Subcommittee on East Asia and Pacific Affairs that for some time U.S. companies have been denied access to the Chinese market and that many firms have had their products illegally reproduced in China.

U.S. Chamber Vice President/International Willard A. Workman testifies in favor of recent moves to open the Chinese market and to protect U.S. intellectual property.

A trade war between the U.S. and China was narrowly avoided when the two countries recently signed bilateral accords to open China's market to the U.S. software, recording, and entertainment industries and to protect their intellectual-property rights.

The USTR was set to invoke the Special 301 provision of the 1988 Trade and Competitiveness Act against China for its failure to enforce intellectual-property rights and to crack down on the piracy of trademarked goods. Special 301 gives the president authority to use sanctions, such as punitive tariffs on imports, against countries that consistently violate intellectual-property rights.

In a memorandum of understanding negotiated between the two countries in January 1992, China agreed to improve intellectual-property protections. It later enacted protection laws. But there was little enforcement of the statutes.

With the latest accord, said Workman, "China has made substantial commitments regarding immediate steps and long-term enforcement" to protect intellectual property. "It is now time to translate those commitments into concrete action."

On the issue of market access, Workman told the subcommittee that the accord will allow U.S. firms to produce and distribute goods in China through joint-venture operations. Entry into the Chinese market also will be enhanced, he said, because of China's move, started in 1992, to phase out 30 percent of its nontariff barriers over five years.

Workman said these efforts could help China obtain membership in the World Trade Organization, which was created under the latest General Agreement on Tariffs and Trade.

He also reiterated the Chamber's support for unconditional extension of most favored nation (MFN) trade status for China. China's MFN status was renewed last June and expires July 1. Some lawmakers have tried to link renewal of China's trade status to its record on human rights.

Via Satellite

Business-Planning Seminars Slated

Two free business-planning seminars are being offered to members of the U.S. Chamber of Commerce via satellite this summer.

The seminars will be presented by the Chamber and the St. Louis-based investment firm Edward D. Jones & Co., in cooperation with *Nation's Business*. A seminar on retirement planning will air July 19, and one on succession planning will air Aug. 2. Both programs can be seen from noon to 1:30 p.m. Central time.

For more information, call the Chamber's Federation Programs and Services Division at 1-800-835-4730. In the Washington, D.C., area, call (202) 463-5940.

Task Force On Europe

Trade Issues To Be Examined

Business leaders on the U.S. Chamber of Commerce task force on Europe will meet June 6 to discuss concerns about trade and investment with the European Union.

The conference will be held at the Chamber's headquarters in Washington.

Participants hope to establish a "bilateral business agenda" related to trans-Atlantic trade and investment that they can present to trade representatives of the U.S. and the European Union.

The EU consists of 15 countries whose market rivals the NAFTA market. The EU has more than 370 million consumers and a gross domestic product of $6.5 trillion.

The Chamber's task force on Europe is focusing on four areas that could pose problems for companies, particularly small firms, that want to export to the EU. Those areas include product standards, environmental standards, government procurement, and tariff issues related to EU expansion.

In addition to those areas, the task force and EU business leaders attending the June meeting will explore a new regime to cover investments issues, which were not included in the recently concluded Uruguay Round of the General Agreement on Tariffs and Trade.

Participants also will look at the future of U.S.-EU trade relations, including a possible free-trade agreement.

For more information about the conference, "Forging a Bilateral Business Agenda," call Michaela Platzer at (202) 463-5480.

CLASSIFIED ADVERTISING The Nation's Market Place

BOOKS/PUBLICATIONS

FREE COPY: "THE INCOME BOOK." Make Extra Money. Write: FRAZIERS, 3-E Cedar, Fair Haven, VT 05743.

BUSINESS OPPORTUNITIES

RELOCATABLE BUSINESSES
Acquire established, going businesses you can relocate to your own area. Mail order, publishing, distribution, other movable businesses that are for sale. Expand your horizons and your profits. For a free sample, detailed report on these businesses in the Relocatable Business newsletter, write Business Listing Services, Box 1248-NB, Highland Park, IL 60035. (800) 448-8567.

HEALTH AND WEALTH with the simplest vehicle to achieve financial independence. Call 204-483-2077.

EASY $1,000 WEEKLY! Selling CD-ROM Software, CASHROM, 427A Southnova, Ormond Beach, FL 32174.

EMBROIDERY PATCHES FREE wholesale catalogue: IRWIN, Box 2096-(BA), Baytown, TX 77522. 713-424-7851.

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $500,000. Free recorded message: 707-448-0270 (MX1).

$100,000 PLUS POTENTIAL! Easy, Legal Home Business. $2.00+ SASE To: CA&M ENTERPRISES, PO Box 42-8775, Cincinnati, OH 45242-8775.

SUBSTANTIAL INCOME POSSIBLE MONTHLY with home business. No Investment. Easy, Legal. Free Details. PO Box 886714, Great Lakes, IL 60088.

STOP GETTING RIPPED OFF!!!!! Expert reveals business opportunities that can really make you millions. Details: GERSON, 920 Linden Blvd., Brooklyn, NY 11203.

HIGH TECH HOME MAIL ORDER Business. Distribute hot selling CD-ROMs and Multimedia Products. Send SASE: Blanken Enterprises, 13333 Hall, Suite 232-(BA), Utica, MI 48315.

BUSINESS OPPORTUNITIES

HOME-OPERATED WEALTH Builders Program. Create a Secure, lifetime income. Retire Early! Send LSASE for details. LMG,11600-84 Audelia, Dallas, TX 75243.

PERSONAL COMPUTER OWNERS CAN EARN $1,000 TO $5,000 Monthly offering simple services part time. Free list of 100 best services. C.B.C.A.W., PO Box 926168, Houston, TX 77292.

MAIL ORDER MAGIC!
Discover the ultimate home based business! Deluxe package is a gold mine of ideas. It's also your own self-publishing business with complete reprint rights. Strictly high quality materials, including a special new Advertising Bonus package. Excellent profits! $25.00, plus $5.00 postage. Large package, shipped first class. **A.L. Cowling, 3428 Larsen Rd., Neenah, WI 54956.**

EMPLOYMENT

GUIDE TO HOME EMPLOYMENT! Rush SASE for info: E. Simon, 907 107th Street, Los Angeles, CA 90002.

GUIDE TO HOME Employment! Send a (SASE) for information to: M&E, PO Box 23(A), Clark's Fork, ID 83811.

FINANCIAL SERVICES

VISA / MASTERCARD
Guaranteed approval in all 50 states!
Interest rates as low as 8.5%
Bad credit, no credit, no problem!
Name and address to:
Dyer Financial Services,
48 Parlaville Road, Suite #113, Hamilton, Bermuda HM11. Fax us. (809) 297-7034

WANT FINANCIAL INDEPENDENCE? Send $1.00: RONNIE, 923 Realty, Carson, CA 90745.

FREE INFORMATION VENTURE Capital for Start Ups or Debt Reduction! Write: Texstar, Dept. A59, 6202 Maywood Forest, Houston, TX 77088. FAX (713) 448-8188.

FURNITURE

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE! Call/write Loftin Black Furniture Co. 111 Sedgehill Dr., Thomasville, NC 27360 Call TOLL FREE 1-800-334-7398 (in NC, 919-472-6117) NATIONWIDE HOME DELIVERY

MONEYMAKING OPPORTUNITIES

GET YOUR OWN 900# FREE!
$10,000 monthly possible!
Call 201-853-1770

SUCCESSFUL HOME EMPLOYMENT, Business Opportunities and Money Books. Excellent Information. Send $1.00 to: TJC-(BA), 5255 Edgewood, Crystal, MN 55428.

MONEYMAKING OPPORTUNITY - YOUR OWN 900# free. $10K monthly possible. Write today for FREE information: Benjamin Harris, 1-B Quaker Ridge Road, Suite 223M, New Rochelle, NY 10804.

STRIKE IT RICH! Don't waste time and money trying those (get rich quick) scams. Learn what those various programs offer. Learn their facts, techniques, then learn vital tips to start your own homebased wealth plan immediately. Order this revealing booklet only $6.00 to: METCO, Box 600326, San Diego, CA 92160.

HOW VIETNAM COMPANY DIRECTORY can make you really rich! Send for ALL-BENEFIT detail-demonstrated sample directory. All inquiries are welcomed. Limited Time. Please include a refundable (toward full directory order) $4.00. TRAN TOURISM & TRADING CORPORATION, 9-(BA) Morris Park Lane. East Hampton, NY 11937.

5 SUPER TRADE DIRECTORY
Hong Kong Trade Directory
Mexico Trade Directory
Philippine Trade Directory
Taiwan Trade Directory
Orient Trade Directory
$25.00 Each or 3 for $59.00 or get all 5 for $99.00 to:
GREEN ENTERPRISES
427 West 75th Street
Shreveport, LA 71106-3611
We Have More Books. Information. Write To Us.

FREE BUSINESS DIRECTORIES
Hundreds of Sources of directories that you can request for FREE! Manufacturers, Importers/Exporters, wholesalers, etc. Thousands of products & services available. You need sources of information (Directories) to start your business properly. For information on how to obtain the Directory of Free Directories Send $2.00 to:
World Business Directories*
P.O. Box 2187-A Saipan, MP 96950 USA

OF SPECIAL INTEREST

MONEY, POWER, SUCCESS! You Can Have It All. FREE Details! NEW IMAGE, PO Box BS372, Moore, SC 29369.

SECRET LAW GUARANTEES Lowest Prescription Drug Prices in America. Free Details! DPC, Box 1062-A, Golden, CO 80402.

"HOTLINE" OPPORTUNITY SEEKER names! Mailorder Response! Adhesive labels! Send $1.00 plus SASE for details: JLK, PO Box 325, Dumont, NJ 07628.

THAT'S ITALIAN! 19 "Fantastico" Recipes. Long Self Addressed Stamped Envelope. $2.00: PASQUALE, PO Box 642, Welland, ON., L3B 5R4 CANADA.

UNCOMMON HEALTH AND BEAUTY PRODUCTS! Vitamins!, Herbals!, Skin Preparations! Makeup! Weight loss! - Large Catalog $3.00 S&H: GEMINI PRODUCTS, Box 1558, Bristol, CT 06011.

ADS THAT DON'T PULL CAN LEAVE YOU BROKE! Start now with less than $100 and make lots of money with classified ads that work! It's easy when you really know how. FREE INFORMATION. Send SASE to: West End Specialties, 7435 Colton Lane, Manassas, VA 22110.

PRINTING

PRINTING SAVE $$$
HIGH QUALITY — LOW PRICE
FULL SERVICE: Business cards, letterhead, envelopes, brochures, fliers, labels, balloons, pens, etc. For a full color catalog send $3.00 to: **EASY PRINT P.O. Box 2044-(BA) CHESTERFIELD VA 23832-2044**

Send inquiries to:

P.O. Box 1200

Washington, D.C. 20013

Attn:

Classified Advertising

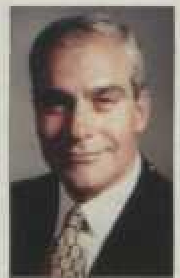
or CALL TOLL FREE

800-424-6746

U.S. Chamber MemberServices

The U.S. Chamber of Commerce offers numerous services and publications to its members. Here is a partial listing of these benefits.

Motivating Employees



Stuart R. Levine

Showing managers how to recognize their own leadership skills and how to motivate employees to achieve their objectives are the topics of the next satellite management seminar sponsored by the Quality Learning Services (QLS) department of the U.S. Chamber of Commerce. The seminar will air May 2 from 1 to 3 p.m. Eastern time.

Titled "The Leader In You: Leadership Strategies for the '90s," the program features Stuart R. Levine, chief executive officer of Dale Carnegie & Associates Inc., of Garden City, N.Y. Levine is co-author of the best-selling book *The Leader In You: How to Win Friends, Influence People, and Succeed in a Changing World.*

The final seminar in QLS's spring series will feature management consultant and author James Champy, chairman of CSC Consulting, of Cambridge, Mass., and co-author of *Reengineering the Corporation.* It will air from 1 to 3 p.m. Eastern time.

The May 23 seminar is titled "Reengineering Management: A Mandate for New Leadership," which is the title of Champy's latest book. Like the book, the seminar will examine the fears associated with reengineering, moving from "command and control" management to a "mobilize and enable" style of management, how and why the reengineering revolution is at risk, and "four key questions" whose answers can constructively guide managerial thinking in the age of reengineering.

For more information, including prices for downlinks and taping rights, call 1-800-835-4730 or (202) 463-5940.

Business Cases In The Courts

The National Chamber Litigation Center, the U.S. Chamber's public-policy law firm, publishes *The Business Counsel* to keep companies informed about key business-related court cases with which the center is involved.

There is no charge to NCLC members for this quarterly publication or for a listing of NCLC cases, which is published eight times a year.

For more information about the litigation center, call Cam Esser at (202) 463-5341.

Help For Starting, Growing A Business

Nation's Business, the U.S. Chamber's monthly magazine that provides practical advice to business, offers a number of ancillary products to help people start and grow a business.

Among them are:

BizPlanBuilder, a computer program that can help produce a polished business plan. It includes more than 90 pages of typed and formatted forms and files needed for a professional-looking business plan. The product comes with a 126-page reference guide and is available on disk for DOS (5 1/4 or 3 1/2), Windows (3 1/2), and Macintosh.

EmployeeManualMaker, which allows business managers to publish their own manuals on company policies, procedures, and benefits. The computer program has more than 140 ready-to-customize documents. It comes with a 400-page reference guide and is available on disk for DOS (5 1/4 or 3 1/2) and Macintosh.

Sales LetterWorks, a program containing 308 custom-crafted letters for use in virtually all aspects of selling, including responding to customer complaints and collecting money. The program comes with a 372-page book and is available on disk for DOS (5 1/4 or 3 1/2), Windows (3 1/2), and Macintosh.

Business LetterWorks, which contains 400 professionally written letters covering all areas of business, including letters to advertisers, suppliers, and employees. The program comes with a 470-page book and is available on disk for DOS (5 1/4 or 3 1/2), Windows (3 1/2), and Macintosh.

To order any of the products listed above, call 1-800-741-5146.

Executive Development

The U.S. Chamber's Institutes for Organization Management, a week-long professional-development program for association and chamber executives, will begin its 1995 schedule in June.

The program, which helps strengthen leadership, management, interpersonal, and communications skills, is set for: June 11-16, University of Notre Dame, in South Bend, Ind.; June 18-23, University of Georgia, in Athens, Ga.; June 25-30, Southern Methodist University, in Dallas; July 9-14, University of California at Los Angeles (UCLA); July 16-21, University of Colorado, in Boulder, Colo.; Aug. 6-11, University of Delaware, in Newark, Del.; Aug. 13-18, College of Charleston, in Charleston, S.C. (for first-time participants); and Jan. 21-26, 1996, University of Oklahoma, in Norman, Okla.

For enrollment information, call (202) 463-5570.

Monitoring Votes Of Lawmakers

The 1994 edition of the Chamber's *How They Voted* guide is now available. It features senators' and representatives' votes on important issues of interest to business during the second session of the 103rd Congress.

Included are descriptions of the issues chosen by the Chamber in determining its vote ratings for each lawmaker and the business federation's position on those issues. Two sets of ratings are included–one based on votes cast in 1994 and one based on each senator's and representative's Chamber vote ratings during his or her congressional tenure.

To order the guide, call 1-800-638-6582. In Maryland, call 1-800-352-1450. Request publication No. 0425. Copies are $7.50 for Chamber members and $9 for nonmembers.

Grass-Roots Handbook

The Chamber's Office of Membership Grassroots Management has produced a handbook to enhance the legislative activities of Grassroots Action Information Network (GAIN) participants and other interested Chamber members.

The book covers such topics as communicating with members of Congress and how to respond to U.S. Chamber requests for grassroots action on legislation.

The guide also contains a glossary of legislative terms and a list of other GAIN programs and resources that can help Chamber members conduct legislative activities.

GAIN participants receive one free copy of the handbook when they join the legislative network. Chamber members who are not in GAIN can obtain a copy for $10; nonmembers can receive a copy for $12. To order the *GAIN Grassroots Handbook*, call 1-800-638-6582. In Maryland, call 1-800-352-1450. Request publication No. 0376.

For more information about becoming a GAIN participant, call (202) 463-5604.

Practical Resource For Small Firms

Concerns of Small Business is an informative source for small firms seeking guidance on the practical aspects of such issues as taxes and financing, export markets, legal costs and fees, and risk management.

The book, produced by the Chamber's Domestic Policy Division, is $6 for Chamber members and $10 for nonmembers.

To order, write to the U.S. Chamber of Commerce, Small Business Center, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call the center at (202) 463-5503.